RED HERRING PROSPECTUS

Dated October 23, 2006

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

LANCO

INSPIRING GROWTH

LANCO INFRATECH LIMITED

(Our Company was originally incorporated on March 26, 1993 as "Lanco Constructions Limited" in Andhra Pradesh with its registered office at 1-8-50/G, 2nd Floor, Krishna Nagar Colony, Prenderghast Road, Secunderabad – 500 003 and received its certificate of commencement of business on March 31, 1993. With effect from June 2, 1994, the Company shifted its registered office to Ground Floor, Visaka Towers, 1-8-303/69/3, Sardar Patel Road, Secunderabad – 500 003. The Company further shifted its registered office, with effect from July 12, 1998, to Lanco House, 141, Avenue #8 Road #2, Banjara Hills, Hyderabad – 500 034. On November 24, 2000 the Company's name was changed to "Lanco Infratech Limited").

Registered Office: Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India;
Tel: (91 40) 235 40695/697/701/703; **Fax:** (91 40) 2354 0699; **Contact Person and Compliance Officer:** C. Krishnakumar;
Email: krishnakumar@lancogroup.com; **Website:** www. lancogroup.com

PUBLIC ISSUE OF 44,472,381 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION BY LANCO INFRATECH LIMITED (THE "COMPANY") ("THE ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 43,972,381 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION FOR ELIGIBLE EMPLOYEES OF UP TO 500,000 EQUITY SHARES OF RS. 10 EACH, AT THE ISSUE PRICE. THE ISSUE WOULD CONSTITUTE 20.00% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY.THE NET ISSUE WOULD CONSTITUTE 19.78% OF THE FULLY DILUTED POST ISSUE PAID UP EQUITY CAPITAL OF THE COMPANY.

PRICE BAND: RS. 200 TO RS. 240 PER EQUITY SHARE OF FACE VALUE RS. 10.00

THE FACE VALUE OF THE SHARE IS RS. 10.00 AND THE FLOOR PRICE IS 20.0 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 24.0 TIMES OF THE FACE VALUE.

In case of revision in the Price Band, the Bidding Period/Issue Period shall be extended for three additional days after such revision, subject to the Bidding/ Issue Period not exceeding ten working days. Any revision in the Price Band, and the revised Bidding Period/ Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release and by indicating the change on the web sites of the Book Running Lead Managers and the terminals of the Syndicate.

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% book building process with an allocation of at least 60% of the Net Issue size to Qualified Institutional Buyers, with a minimum of two million securities being offered to the public and the minimum Net Issue size being at least Rs. 1,000 million. Out of the 60% of the Net Issue allocated to Qualified Institutional Buyers on a proportionate basis, 5% shall be available for allocation to Mutual Funds. Also, up to 10% of the Net Issue would be available for allocation to Non-Institutional Bidders and up to 30% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to Qualified Institutional Buyers, the entire application money will be refunded.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Share is Rs. 10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

We have not opted for the grading of this Issue.

GENERAL RISKS

Investment in equity and equity related securities involves a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of investors is invited to the section titled "Risk Factors" beginning on page xv of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in the Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on the BSE and the NSE and the Company has received in-principle approvals from these Stock Exchanges for the listing of its Equity Shares pursuant to letters dated August 22, 2006 and August 30, 2006 respectively. For purposes of this Issue, the Designated Stock Exchange is the NSE.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
JM MORGAN STANLEY **JM Morgan Stanley Private Limited** 141, Maker Chambers III Nariman Point , Mumbai 400 021, India Tel: (91 22) 6630 3030 Fax: (91 22) 2204 7185 Email: lanco.ipo@jmmorganstanley.com Web site: www.jmmorganstanley.com Contact Person: Vibhor Kumar / Mayank Jain	ENAM **Enam Financial Consultants Private Limited** 801, Dalamal Towers Nariman Point Mumbai 400 021 India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email: lanco.ipo@enam.com Website: www.enam.com Contact Person: Ashish Kumbhat	ICICI Securities **ICICI Securities Limited** ICICI Centre, H.T. Parekh Marg Churchgate, Mumbai 400 020 India Tel: (91 22) 2288 2460 Fax: (91 22) 2282 6580 Email: lanco_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Vaishnavi Reddy/ Ratnadeep Acharyya	kotak Investment Banking **Kotak Mahindra Capital Company Limited** 3rd Floor, Bakhtawar 229 Nariman Point Mumbai 400 021 India Tel: (91 22) 6634 1100 Fax: (91 22) 2284 0492 Email: lanco.ipo@kotak.com Web site: www.kotak.com Contact Person : Ajay Vaidya	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup, Mumbai 400 078 India Tel: (91 22) 2596 3838 Fax: (91 22) 2594 6969 Website: www.intimespectrum.com E-mail: isrl@intimespectrum.com Contact Person: Haren Modi

BID ISSUE PROGRAM	
BID/ ISSUE OPENS ON : MONDAY, NOVEMBER 6, 2006	**BID/ ISSUE CLOSES ON : FRIDAY, NOVEMBER 10, 2006**

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
the "Company" or "our Company" or "LITL" or the "Issuer"	Unless the context otherwise requires, refers to Lanco Infratech Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Aban Power Plant	The 120 MW gas-based combined cycle plant in Tanjore District in the State of Tamil Nadu owned by Aban
Aban Ventures	Aban Ventures Private Limited, a company incorporated under the Companies Act and having its registered office at Janpriya Crest, 113, Pantheon Road, Egmore, Chennai – 600 008, Tamil Nadu, India
Anpara Power Project	The Anpara 'C' 2 X 500 MW pit-head coal-based power project proposed to be implemented in the State of Uttar Pradesh by Lanco Anpara
APCL or Aban	Aban Power Company Limited, a company incorporated under the Companies Act and having its registered office at 3rd Floor, 25 G.N. Chetty Road, T. Nagar, Chennai – 600 017, Tamil Nadu, India
Associates	Unless the context otherwise requires, refers to LKPPL and GLPPL
Baner-III Power Project	The 5 MW hydroelectric run of the river project proposed to be established across the Baner Khad and Kapru Nala, tributaries of the Beas River in Kangra District in the State of Himachal Pradesh by VHEPL
Chitradurga Power Plant	The 3 MW wind-based power plant in Chikkasiddavanahalli Village, Chitradurga District in the State of Karnataka owned by the Company
Clarion Power Plant	The 12 MW biomass power plant in Prakasam District in the State of Andhra Pradesh owned by Clarion
Coral Agro	Coral Agro Estates Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
CPCL or Clarion	Clarion Power Corporation Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
D.R.S Resorts	D.R.S Resorts Private Limited, a company incorporated under the Companies Act and having its registered office at Kondapur Village, Serilingampally Mandalam, Rangareddy District, Hyderabad, Andhra Pradesh, India
DEG	Deutsche Investitions-und Endwicklungsgesellschaft mbH, a financial institution incorporated and existing as a limited liability company under the laws of Federal Republic of Germany and having its registered office at Bevederestrasse 40, 50933 Koeln, Federal Republic of Germany
Diamond Farms	Diamond Farms Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Discoms of Uttar Pradesh/ Discoms	(1) Paschimanchal Vidyut Vitran Nigam Limited, (2) Poorvanchal Vidyut Vitran Nigam Limited, (3) Madhyanchal Vidyut Vitran Nigam Limited and (4) Dakshinanchal Vidyut Vitran Nigam Limited.
Dongfang	Dongfang Electric Corporation having its head office at 333, Shuhan Road, Chengdu, 610 036, Sichuan, Peoples Republic of China.
Drinidhar Power Project	The 5 MW hydroelectric run of the river project proposed to be established across the Brahl Khad Stream, a tributary of the Beas River in Kangra District in the State of Himachal Pradesh by VIPL

Term	Description
ECL	Electrosteel Castings Limited, a company incorporated under the Companies Act and having its registered office at Stephen House, 4 BBD Marg (East), Kolkata – 700 001, West Bengal, India
Escoms of Karnataka	(1) Bangalore Electricity Supply Company Limited, (2) Mangalore Electricity Supply Company Limited, (3) Gulbarga Electricity Supply Company Limited, (4) Hubli Electricity Supply Company Limited and (5) Chamundeshwari Electricity Supply Company Limited.
Garnet Agro	Garnet Agro Estates Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Gaurikund Project	The 18.6 MW hydro power project proposed to be established on the Mandakini river in the Rudraprayag District in the State of Uttaranchal by Lanco Hydro
Globeleq	Globeleq Holding (Kondapalli) Limited, a private limited company incorporated under the laws of Mauritius and having its registered office at 4th Floor, Les Cadas Building, Edith Cavell Street, Port Louis, Mauritius
GLPPL or Genting Lanco	Genting Lanco Power (India) Private Limited, a company incorporated under the Companies Act and having its registered office at Kondapalli IDA, Ibrahimpatnam Mandal, Krishna District – 521 228, Andhra Pradesh, India
Hyderabad Property Project	The 100 acre integrated IT Park at Manikonda, Hyderabad that is proposed to be developed by the Company
IKU-II Power Project	The 5 MW hydroelectric run of the river project proposed to be established across the Iku Khad, a tributary of the Beas River in Kangra District in the State of Himachal Pradesh by VHEPL
Kondapalli PPA / Lanco Kondapalli PPA	The power purchase agreement dated March 31, 1997 originally entered into between LKPPL and APSEB in relation to the Lanco Kondapalli Power Plant and which was, pursuant to a Government notification issued on June 7, 2005, assigned to APCPDCL, APSPDCL, APEPDCL and APNPDCL, each of whom further assigned their rights and obligations thereunder to APPCC
Krishnapatnam Power Project	The Ultra – Mega Power Project with a capacity of 4,000 MW that is proposed to be implemented in Krishnapatnam, Andhra Pradesh and towards which RFQs have been invited by Coastal Andhra Power Limited, a subsidiary of PFC
KVK	K. Vijay Kumar, a person resident in India with whom the Company has entered into a shareholders agreement dated October 3, 2003 in relation to the shareholding of Lanco Amarkantak
Lanco Amarkantak Power Plant	The 600 MW coal-based power plant in Korba District in the State of Chhattisgarh, which is being executed in two phases of 300 MW each by Lanco Amarkantak
Lanco Anpara	Lanco Anpara Power Private Limited, a company incorporated under the Companies Act and having its registered office at 53 - C, Kabir Marg, Clay Square, Lucknow – 226 001, Uttar Pradesh, India
Lanco Energy Power Project/ Teesta VI Power Project	The 500 MW hydroelectric power project being implemented across the Teesta River in the State of Sikkim by LEPL
Lanco Green Power Project/ Budhil Power Project	The 70 MW run-of-the river hydroelectric power project across the Budhil Nallah in the Chamba District of the State of Himachal Pradesh which is being executed in two phases of 35 MW each by Lanco Green
Lanco Group or "we" or "us" or "our"	Unless the context otherwise requires, refers to the Company, its Subsidiaries and its Associates
Lanco Hydro Power Projects/ Uttaranchal Power Projects	The three hydro power projects, being the Gaurikund Project (18.6 MW), the Phata-Byung Project (10.8 MW) and the Rambara Project (24 MW), that are proposed to be established on the Mandakini river in the Rudraprayag District in the State of Uttaranchal by Lanco Hydro

Term	Description
Lanco Kondapalli Power Plant/ Kondapalli Power Plant	The 368.144 MW gas-based combined cycle power plant in Kondapalli in the State of Andhra Pradesh owned by Lanco Kondapalli
LAPPL or Lanco Amarkantak	Lanco Amarkantak Power Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LEPL or Lanco Energy	Lanco Energy Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LEUL or Lanco Electric	Lanco Electric Utility Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LGL	Lanco Group Limited, a company incorporated under the Companies Act and having its registered office at 141, Lanco House, Avenue 8, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LGPPL or Lanco Green	Lanco Green Power Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LHEPL or Lanco Hydro	Lanco Hydro Energies Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LHPVL	Lanco Hydro Power Ventures Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LHTPPL or Lanco Hills	Lanco Hills Technology Park Private Limited, a company incorporated under the Companies Act and having its registered office at Plot #130, Inwinex Towers, II Floor, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LKPPL or Lanco Kondapalli	Lanco Kondapalli Power Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
LMTPPL or Lanco Mantri	Refers to LHTPPL pursuant to the change in its name on July 6, 2006
Mundhra Power Project	The Ultra – Mega Power Project with a capacity of 4,000 MW that is proposed to be implemented in Mundhra, Gujarat and towards which RFQs have been invited by Coastal Gujarat Power Limited, a subsidiary of PFC
Nagarjuna or NPCL	Nagarjuna Power Corporation Limited, a company incorporated under the Companies Act and having its registered office at 510, 3rd A Cross, 2nd Main, 3rd Block, Rajmahal Vilas II, Dollars Colony, Bangalore - 560 094, Karnataka, India
Nagarjuna Power Project	The 1,015 MW pulverized coal fired thermal power generation station near Mangalore in the State of Karnataka which is being executed by Nagarjuna in two phases of 507.5 MW each
Neptune Projects	Neptune Projects Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Ocean Park Companies	Unless the context otherwise requires, refers to Ruby Agro, Pearl Farms, Garnet Agro, Diamond Farms, Coral Agro, Uranus Projects and Neptune Projects
Ocean Park Property Project	The 21.8 acre property in Hyderabad that is in close proximity with the Hyderabad Property Project and which is proposed to be developed as a large residential project by the Company
Orissa Power Project	The 1,320 MW (2 x 660 MW) thermal power plant proposed to be established in the State of Orissa by LGL

Term	Description
Pearl Farms	Pearl Farms Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Phata-Byung Project	The 10.8 MW hydro power project proposed to be established on Mandakini river in the Rudraprayag District in the State of Uttaranchal by Lanco Hydro
Prince Stone	Prince Stone Investments Limited, a company incorporated in the Republic of Mauritius on October 7, 2003 with its registered office at 5, Duke of Edinburgh Avenue, Port Louis, Mauritius
Rambara Project	The 24 MW hydro power project proposed to be established on Mandakini river in the Rudraprayag District in the State of Uttaranchal by Lanco Hydro
RESL or Rithwik	Rithwik Energy Systems Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Rithwik Power Plant	The 6 MW bio-mass, small scale, renewable energy power plant in Chittoor District in the State of Andhra Pradesh owned by RESL and which is registered with the CDMEB
Ruby Agro	Ruby Agro Farms Private Limited, a company incorporated under the Companies Act and having its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Sasan Power Project	The Ultra – Mega Power Project with a capacity of 4,000 MW that is proposed to be implemented in Sasan, Madhya Pradesh and towards which RFQs have been invited by Sasan Power Limited, a subsidiary of PFC
Subsidiaries	Unless the context otherwise requires, refers to (i) Aban; (ii) Clarion; (iii) Lanco Amarkantak; (iv) Lanco Energy; (v) Lanco Electric; (vi) Lanco Green; (vii) Lanco Hydro; (viii) LHPVL; (ix) Lanco Hills; (x) Rithwik; (xi) Vamshi Hydro; (xii)Vamshi Industrial; (xiii) Ruby Agro; (xiv) Pearl Farms; (xv) Garnet Agro; (xvi) Diamond Farms; (xvii) Coral Agro; (xviii) Uranus Projects; and (ix) Neptune Projects
TMIL	Third Millennium Investments Limited, a company incorporated under the laws of Mauritius and having its registered office at 5, Duke of Edinburgh Avenue, Port Louis, Mauritius
Upper Khauli Power Project	The 5 MW hydroelectric run of the river project proposed to be established across the Khauli Khad, a tributary of the Beas River in Kangra District in the State of Himachal Pradesh by VIPL
Uranus Projects	Uranus Projects Private Limited a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
Vamshi Hydro Power Project	The 2 X 5 MW hydroelectric run of the river projects, being the Baner-III Power Project and the IKU-II Power Project that are proposed to be established across the tributaries of the Beas River in Kangra District in the State of Himachal Pradesh by VHEPL
Vamshi Industrial Power Project	The 2 X 5 MW hydroelectric run of the river projects, being the Drinidhar Power Project and the Upper Khauli Power Project that proposed to be established across the tributaries of the Beas River in Kangra District in the State of Himachal Pradesh by VIPL
VHEPL or Vamshi Hydro	Vamshi Hydro Energies Private Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India
VIPL or Vamshi Industrial	Vamshi Industrial Power Limited, a company incorporated under the Companies Act and having its registered office at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India

Term	Description
Vizag Property Project	The beach-front property located in the city of Visakhapatnam in the State of Andhra Pradesh which is proposed to be developed as an integrated IT park and township by the Company
ZPPL	Zelan Projects Private Limited, a company incorporated under the Companies Act having its registered office at No. 5, Plot No- 429, B.K Complex Road, No-14 , Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India

Company related terms

Term	Description
Articles/ Articles of Association	Articles of Association of LITL, as amended from time to time
Board of Directors/ Board	The Board of Directors of LITL or a committee thereof
Directors	The directors of LITL, as they may change from time to time
Equity Shares	Equity shares of the Company of face value of Rs. 10 each, unless otherwise specified in the context thereof
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
Memorandum/ Memorandum of Association	The Memorandum of Association of LITL, as amended from time to time
Statutory Auditors	Statutory auditors of the Company, being M/s Price Waterhouse, Hyderabad, Chartered Accountants for Indian GAAP

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue or transfer of Equity Shares, pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued or transferred
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Banker(s) to the Issue	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, and with whom the Escrow Account will be opened, which in this case are Standard Chartered Bank, ING Vysya Bank Limited, Kotak Mahindra Bank Limited, ICICI Bank Limited, Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form

Term	Description
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building process as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being JM Morgan Stanley Private Limited, Enam Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Companies Act / Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLMs. Only Retail Individual Bidders are entitled to bid at the Cut-off Price, for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Collection Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to the successful Bidders
Designated Stock Exchange	NSE
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Eligible Employees	Permanent employees of the Company and the Subsidiaries including the directors thereof who are Indian nationals based in India and are present in India on the date of submission of the Bid-cum-Application Form. However, the Directors who are the Promoters of the Company shall not be considered to be Eligible Employees
Employee Reservation Portion	The portion of the Issue being 500,000 Equity Shares available for allocation to Eligible Employees
Enam	Enam Financial Consultants Private Limited, a company incorporated under the Companies Act and having its registered office at 801, Dalamal Towers, Nariman Point, Mumbai - 400 021
Enam Securities	Enam Securities Private Limited, a company incorporated under the Companies Act and having its registered office at Khatau Building, II Floor, 44B Bank Street, Off Shahid Bhagat Singh Road, Fort, Mumbai - 400 020
Escrow Agreement	Agreement entered into by the Company, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders
Escrow Collection Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Collection Account will be opened

Term	Description
ESOS	The employee stock option scheme of the Company titled "Employees Stock Option Plan, 2006" under which the Company may issue up to 11,118,096 Equity Shares to the ESOS Trust
ESOS Trust	The LCL Foundation Trust that was incorporated as a trust under relevant Indian trust law and in whose favour the Equity Shares of the Company pursuant to the ESOS would be allocated
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
ICICI Securities	ICICI Securities Limited, a company incorporated under the Companies Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India
ICICI Brokerage Services	ICICI Brokerage Services Limited, a company incorporated under the Companies Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020, India
IPO	Initial Public Offering
IPO Committee	A committee authorised by our Board pursuant its resolution dated April 24, 2006 to carry out various actions in relation to the Issue, comprising G. Venkatesh Babu, Managing Director, J. Suresh Kumar, Chief Financial Officer and C. Krishnakumar, the Company Secretary
Issue	The fresh issue of 44,472,381 Equity Shares at a price of Rs. [•] each for cash, aggregating Rs. [•] million
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLMs on the Pricing Date
JMMS	JM Morgan Stanley Private Limited, a company incorporated under the Companies Act and having its registered office at 141, Maker Chambers III, Nariman Point Mumbai - 400 021
JMMS Financial Services	JM Morgan Stanley Financial Services Private Limited, a company incorporated under the Companies Act and having its registered office at Apeejay House, 3, Dinshaw Waccha Road, Churchgate, Mumbai - 400 021
KMCC	Kotak Mahindra Capital Company Limited, a company incorporated under the Companies Act and having its registered office at 3rd Floor, Bakhtawar 229, Nariman Point, Mumbai - 400 021
Kotak Securities	Kotak Securities Limited, a company incorporated under the Companies Act and having its registered office at 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021
Margin Amount	The amount paid by a Bidder at the time of submission of the Bid, which may range between 10% to 100% of the Bid Amount
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Fund Portion	5% of the QIB Portion or 1,319,172 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue	The Issue less the Employee Reservation Portion being 43,972,381 Equity Shares
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue being up to 4,397,238 Equity Shares available for allocation to Non Institutional Bidders

Term	Description
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the closure of Pay-in Date
Price Band	The price band with a minimum price (Floor Price) of Rs. 200 and the maximum price (Cap Price) of Rs. 240, including any revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Promoter Group	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Our Promoter - Promoter Group" on page 146 of this Red Herring Prospectus
Promoters	Our promoters, being L. Madhusudhan Rao, G. Bhaskara Rao, L. Sridhar, Prince Stone and LGL
Prospectus	The Prospectus, to be filed with the RoC containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Collection Accounts for the Issue on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Net Issue to public being not less than 26,383,429 Equity Shares at the Issue Price, available for allocation to QIBs on a proportionate basis
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
Registrar /Registrar to the Issue	Intime Spectrum Registry Limited, a company incorporated under the Companies Act and having its registered office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup, Mumbai 400 078, India
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue to the public being up to 13,191,714 Equity Shares available for allocation to Retail Individual Bidder(s) on a proportionate basis
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC in terms of section 60B of the Companies Act, at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation
RoC	The Registrar of Companies, Andhra Pradesh at Hyderabad
Stock Exchanges	NSE and BSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the Syndicate in relation to the collection of Bids in this Issue

Term	Description
Syndicate Members	JMMS Financial Services, Enam Securities, ICICI Brokerage Services and Kotak Securities
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to a Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

Company / Industry related terms

Term	Description
APCPDCL	Andhra Pradesh Central Power Distribution Company Limited
APEPDCL	Andhra Pradesh Eastern Power Distribution Company Limited
APERC	Andhra Pradesh Electricity Regulatory Commission
APNPDCL	Andhra Pradesh Northern Power Distribution Company Limited
APPCC	Andhra Pradesh Power Co-ordination Committee of Andhra Pradesh
APSEB	Andhra Pradesh State Electricity Board
APSPDCL	Andhra Pradesh Southern Power Distribution Company Limited
APTRANSCO	Transmission Corporation of Andhra Pradesh
BHEL	Bharat Heavy Electricals Limited
BOOT	Build, Own, Operate and Transfer
BOP	Balance of Plant
BOT	Build, Operate and Transfer
CDM	Clean Development Mechanism, being one of the two project-based flexible mechanisms of the Kyoto Protocol designed to make it easier and cheaper for industrialised countries to meet the GHG emission reduction targets that were agreed by them under the Kyoto Protocol
CDMEB	The CDM Executive Board appointed in 2001 at the Marrakech Accords pursuant to the United Nations Framework Convention on Climate Change to oversee CDM compliance by certain member-nations of the United Nations
CEA	Central Electricity Authority
CER	Certified Emission Reductions, pursuant to the CDM mechanism
CERC	Central Electricity Regulatory Commission
CESC	CESC Limited
COD	Commercial Operation Date
CPSUs	Central Power Sector Utilities
E&M	Electro Mechanical
Electricity Act	The Electricity Act 2003, as amended
EPC	Engineering, procurement and construction
ERC	Electricity Regulatory Commission
ERC Act	The Electricity Regulatory Commissions Act, 1998, as amended
ERLDC	Eastern Regional Load Despatch Centre
GAIL	Gas Authority of India Limited

Term	Description
GHG	The six green house gases listed in Annexure A to the Tokyo Protocol
GoAP	Government of Andhra Pradesh
GoHP	Government of Himachal Pradesh
GoO	Government of Orissa
GoU	Government of Uttaranchal
GoTN	Government of Tamil Nadu
Government/GoI	Government of India
GRIDCO	Grid Corporation of Orissa Limited
HPSEB	Himachal Pradesh State Electricity Board
Hydro	Hydro-electric
IPPs	Independent Power Producers
JDA	Joint Deed Agreement
Kms/k.m	Kilometers
KERC	Karnataka Electricity Regulatory Commission
KPCL	Karnataka Power Corporation Limited
KPTCL	Karnataka Power Transmission Corporation Limited
KWH	Kilo-Watt Hours
Kyoto Protocol	The Kyoto Protocol to the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992 by various member nations of the United Nations
LDC	Load Despatch Centre
MCMD	Million Cubic Meter per Day
MNES	Ministry of Non-Conventional Energy Sources
MoCM	Ministry of Coal and Mines, Government of India
MoP	Ministry of Power, Government of India
MOPNG	Ministry of Petroleum and Natural Gas, Government of India
MOU	Memorandum of Understanding
MSEDCL	Maharashtra State Electricity Distribution Company Limited
MT	Metric Tonnes
MW	Megawatts
NABARD	National Bank for Agricultural and Rural Development
NEDCAP	Non-Conventional Energy Development Corporation of Andhra Pradesh Limited
NH	National Highway
NHAI	National Highways Authority of India
NHAI Act	National Highways Authority of India Act, 1988, as amended
NHDP	National Highways Development Project
O&M	Operations and Maintenance
OERC	Orissa Electricity Regulatory Commission
PFC	Power Finance Corporation Limited
PLF	Plant Load Factor
PPA	Power Purchase Agreement

Term	Description
PSA	Power Sale Agreement
PSEB	Punjab State Electricity Board
PSERC	Punjab State Electricity Regulatory Commission
PTC	Power Trading Corporation of India
RFP	Request for Proposal
RFQ	Request for Qualification
SBU	Strategic Business Unit
SEBs	State Electricity Boards
SECL	South Eastern Coal Fields Limited
SERCs	State Electricity Regulatory Commissions
SEZ	Special Economic Zone
SPV(s)	Special Purpose Vehicle(s)
Supply Act	The Electricity (Supply) Act, 1948, as amended
T&D	Transmission and Distribution
Technoeconomic	Technical and economic feasibility
TNEB	Tamil Nadu Electricity Board
UPCL	Uttaranchal Power Corporation Limited
UPPCL	Uttar Pradesh Power Corporation Limited
UPRVUNL	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited
WBSEB	West Bengal State Electricity Board

Conventional/General Terms

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIF	Cost, insurance and freight
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting of shareholders
Electronic Transfer of Funds	Refunds through ECS, Direct Credit or RTGS, as applicable
EPS	Earnings per share calculated as division of net worth after tax for the financial year divided by weighted average number of equity shares outstanding during the year.
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India

Term	Description
FIPB	Foreign Investment Promotion Board, Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
N.A/NA	Not applicable
NAV/ Book Value	Net asset value calculated as division of net worth by weighted average number of equity shares outstanding during the year.
NOC	No Objection Certificate
Non Residents/ NR	Non-Resident is a Person resident outside India, as defined under FEMA and includes a Non-Resident Indian
NRE Account	Non-Resident External Account
NRI/Non-Resident Indian	Non-Resident Indian is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue
p.a. / P.A.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000
RBI	The Reserve Bank of India
Re.	One Indian Rupee
Rs.	Indian Rupees
RLDC	Regional Load Despatch Centre
RTGS	Real Time Gross Settlement Process
SCRR	Securities Contract Regulation Rules, 1957, as amended
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
SLDC	State Load Despatch Centre
U.S. GAAP	Generally accepted accounting principles in the United States of America

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our consolidated financial statements prepared in accordance with Indian GAAP, beginning on page F-1 of this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "US Dollars" or "USD" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" beginning on page i of this Red Herring Prospectus.

Market and industry data used throughout this Red Herring Prospectus has been obtained from publications available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

This Red Herring Prospectus contains translations of some Rupee amounts into US Dollars which should not be construed as a representation that those Rupee or US Dollar amounts could have been, or could be, converted into US Dollars or Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US Dollar could be exchanged at the noon buying rate given by the Federal Reserve Bank of New York. The rows titled average, low and high in the table below represent the average, the low and the high of the daily noon buying rate during the fiscal indicated or any part period thereof.

Except as otherwise stated in this Red Herring Prospectus, US Dollar amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of the Clause 6.9.7.1 of the SEBI Guidelines. Investors are cautioned not to rely on such translated amounts.

	Year ended March 31, 2002	**Year ended March 31, 2003**	**Year ended March 31, 2004**	**Year ended March 31, 2005**	**Year ended March 31, 2006**
Period Ended	48.83	47.53	43.40	43.62	44.48
Average	47.71	48.43	45.96	44.86	44.17
Low	46.58	47.53	43.40	43.27	43.05
High	48.91	49.07	47.46	46.45	46.26

Note: The Average, Low and High figures pertain to the respective fiscals or part thereof

On July 31, 2006, the noon-buying rate was Rs. 46.49 per one US Dollar. On September 30, 2006, the noon-buying rate was Rs. 45.96 per one US Dollar.

All amounts disclosed in this Red Herring Prospectus are in millions, except as disclosed in the section titled "Main Provisions of the Articles of Association" on page 317 of this Red Herring Prospectus.

For the sake of clarity, one (1) million is equivalent to ten (10) lakhs and ten (10) million is equivalent to one (1) crore.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain forward-looking statements. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Inability by our offtakers to meet their payment obligations to us under the relevant PPAs;
- Failure of our re-organisation process and our new projects;
- Failure of our significant fuel suppliers to deliver to our material power plants;
- Certain inherent construction, financing and operational risks in relation to our projects;
- The monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates;
- Changes in the foreign exchange control regulations in India;
- Foreign exchange rates, equity prices or other rates or prices;
- The performance of the financial markets in India;
- General economic and business conditions in India;
- The ability to successfully implement our strategy;
- Changes in laws and regulations that apply to our clients, suppliers and to the power generation and trading;
- Construction and property development sectors;
- Increasing competition in the conditions of our clients, suppliers and in the power generation and trading;
- Construction and property development sectors;
- Changes in political conditions in India;
- The performance of the real estate market and the availability of real estate financing in India;
- Our ability to finance our business and growth, and obtain financing on favourable terms;
- Our ability to replenish our land reserves and identify suitable projects;
- Impairment of our title to land; and
- Our ability to anticipate trends in and suitably expand our current business lines.

For a further discussion of factors that could cause our actual results to differ, please refer to the section titled “Risk Factors” beginning on page xv of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs and the Company will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II – RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occur, our business, prospects, financial condition and results of operation could be seriously harmed, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section.

Any potential investor in, and purchaser of, our Equity Shares should pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the United States and other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Red Herring Prospectus (including the consolidated financial statements included in this Red Herring Prospectus).

Risks Associated with Our Business in General

1. ***We expect payments by offtakers of the Kondapalli Power Plant and the Aban Power Plant will account for a significant portion of our revenues in the future. If these offtakers experience financial difficulties and are unable to meet or do not meet their payment obligations under their PPAs, we would be materially and adversely affected.***

   We recently acquired the Aban Power Plant and have entered into an agreement to acquire the Kondapalli Power Plant. For further details, please refer to the section titled "Reorganisation " on page 65 of this Red Herring Prospectus. In fiscal 2006, we accounted for our minority interest in APCL and LKPPL on an equity accounting basis. We expect payments by offtakers of the Kondapalli Power Plant and the Aban Power Plant will account for a significant portion of our revenues in the future. The Kondapalli Power Plant supplies all of its electricity to APPCC under a 15-year PPA, which is due to expire in 2015. The Aban Power Plant currently supplies all of its electricity to TNEB, under a 15-year PPA, which expires in 2020. Offtakers for these power plants are committed to pay us for capacity and energy under the terms of their respective PPAs. Our other projects that are currently under development, including the Lanco Amarkantak Power Plant, are not expected to be operational until 2008 or later. Consequently, upon completion of acquisition of LKPPL, we expect to rely heavily on these existing offtakers for most of our revenues for the foreseeable future. If the offtakers for the Kondapalli Power Plant and the Aban Power Plant do not meet their payment obligations, our cash flows, financial condition and results of operations will be materially adversely affected.

2. ***The consolidated financial information included elsewhere in this Red Herring Prospectus is separate historical information of LITL, APCL and the other Subsidiaries and LKPPL, respectively. Historical financial statements of an entity should not be relied on as being indicative of future financial condition, results of operations or cash flows of that entity. Furthermore, following the reorganisation including the proposed acquisition of LKPPL, the future consolidated financial statements of LITL will consolidate the Subsidiaries, including APCL and LKPPL, and so will not be comparable with the historical financial statements of LITL, APCL and the other Subsidiaries and LKPPL included herein.***

   In May 2006, we commenced a reorganisation pursuant to which we became a holding company, and a substantial part of our business operations (except for our construction business) is conducted through our Subsidiaries, each of which owns a controlling interest in the asset that it is operating. The reorganisation involved the acquisition of controlling stakes in such Subsidiaries from the Promoter Group and Aban Ventures and is expected to be completed by the quarter ended December 31, 2006, upon acquisition of an additional 25.1% equity stake of LKPPL from Globeleq. Please see "Reorganisation " on page 65 of this Red Herring Prospectus. Our future revenues will be heavily dependent on the performance of such Subsidiaries and LKPPL and the dividends we receive from them. The dividend payments from such Subsidiaries and LKPPL would be subject to restrictive covenants in the loan agreements of such Subsidiaries. If our equity stake in our Subsidiaries and LKPPL is diluted or should they cease to be our Subsidiaries, our financial conditions, results of operations and business, and the value of our Equity Shares may be materially and adversely affected.

Our audited consolidated financial statements for the quarter ended June 30, 2006, include the results of operations of the Subsidiaries for that quarter. Therefore, our financial statements for the quarter ended June 30, 2006 are not comparable with our financial statements for the previous quarters of fiscal 2006 due to re-organization of the Company.

Prior to the reorganisation, LITL was engaged primarily in the construction business and had minority investments in various other Promoter Group companies engaged in power generation. Hence, the consolidated financial statements of LITL for the five years ended March 31, 2006, and the selected financial data of LITL for the five years, ended March 31, 2006 do not reflect the performance, financial condition or cash flows of the power and property development businesses (except as income from associates for our minority interest in such entities) for the applicable fiscal years. We have, in the section titled "Financial Statements" beginning on page F-1 of this Red Herring Prospectus, included the stand-alone financials for each of the 19 Subsidiaries consolidated with LITL in June 2006 and of our two Associates, to provide you with the historical financial results of each of these companies. Historical financial statements of an entity should not be relied on as being indicative of the future financial condition, results of operations or cash flows of that entity. Furthermore, following the reorganisation including the proposed acquisition of LKPPL, the future consolidated financial statements of LITL will consolidate the Subsidiaries, including APCL and, if the proposed acquisition occurs, LKPPL, and so will not be comparable with the historical financial statements of LITL, APCL and the other Subsidiaries and LKPPL included herein.

3. ***This Red Herring Prospectus does not contain a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations, which would have shown the historical consolidated results of operations of LITL assuming the reorganisation and the acquisition of LKPPL had occurred at the beginning of the relevant reporting period. Due to significant intra-group transactions between LITL, our Subsidiaries and LKPPL, the pro forma consolidated revenue of LITL prepared in accordance with such regulations would have been significantly less than the revenue derived from simply adding the revenues of such companies and LITL's revenues.***

This Red Herring Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations or in accordance with common practices in other jurisdictions, which would have shown the historical results of operations of LITL assuming the reorganisation and the acquisition of LKPPL had occurred at the beginning of the relevant reporting period. Following the reorganisation including the proposed acquisition of LKPPL, the future consolidated financial statements of LITL will consolidate the Subsidiaries, including APCL and LKPPL. Accordingly, the consolidated LITL group now includes and is expected to continue to include, additional significant business operations, the results of which are not reflected in LITL's historical financial statements.

If a pro forma balance sheet or a pro forma income statement prepared in accordance with such regulations had been prepared, such balance sheet or income statement would reflect certain adjustments required by such regulations. In particular, due to significant intra-group transactions between LITL, our Subsidiaries and LKPPL, the pro forma consolidated revenue of LITL prepared in accordance with such regulations would have been significantly less than the revenue derived from simply adding the revenues of such Subsidiaries and LKPPL, and LITL's revenues. For a list of certain material intra-group transactions for fiscal 2006, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Reorganisation" on page 224 of this Red Herring Prospectus. Investors should not construe the historical financial statements of LITL contained herein as reflecting the historical results of operations of the businesses that will be consolidated with LITL in fiscal 2007, or are expected to be consolidated with LITL in future periods.

4. ***We enter into related party transactions. For our construction business, a portion of our revenue has been from affiliates acquired, or to be acquired, by us in the reorganisation.***

We have entered into certain transactions with related parties, including our Subsidiaries, LKPPL and our Promoter Group. In fiscal 2004, 2005 and 2006, 6.0%, 47.0%, and 27.0% of our revenues were from our affiliates, most of which after the reorganisation have become consolidated subsidiaries of LITL, except for LKPPL, which is expected to become a consolidated subsidiary of LITL by the end of December 31, 2006. Hence, if we had consolidated such affiliates in fiscal 2004, our revenues for fiscal 2006 would have been significantly less than as presented in the financial statements in this Red Herring Prospectus.

We have been, and in the case of LKPPL continue to be, highly dependent on our affiliates, which we do not control. For further details, please see "Related Party Transactions" on page 221 of this Red Herring Prospectus. In the event an affiliate breaches its agreement with us or customers chose not to enter into transactions with an affiliate, we may be required to incur significant expense and undertake the projects under our own name, which would involve substantial capital risks and expense. Further, if we incur higher costs than what would have been incurred by our affiliates in carrying out their activities, this would increase the cost to our customers and so adversely affect the competitiveness of our projects. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Further, as both we and certain of our related parties are controlled by our Promoter Group, there can be no assurance that transactions with related parties will be entered into on an arm's-length basis. Because our Promoters, along with other members of our Promoter Group, are the controlling shareholders of both of us as well as our affiliates and have a conflict of interest with respect to dealings between us and our affiliates, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour. For detailed information on our related party transactions, please see "Related Party Transactions" on page 221 of this Red Herring Prospectus.

5. ***We are currently reorganising our business and are undertaking several new projects. If our reorganisation is not completed or our new projects are not successful, we may not achieve the operational and financial objectives we have set or use the Issue proceeds as disclosed and we may have difficulty achieving and managing growth.***

We do not currently control LKPPL or NPCL. We own a 33.9% equity stake in LKPPL. We do not currently own any shares of NPCL. We have entered into a share purchase agreement with Globeleq to buy its 25.1% equity stake in LKPPL by October 8, 2006 (the "Payment Date"), upon payment of a consideration of US$30 million (approximately Rs. 1,394.7 million) plus interest for the period from the Payment Date until the actual payment is made, if the closing is not completed by the Payment Date. The closing has not occurred as of the date of this Red Herring Prospectus and is also subject to receiving Government approval and the consent of the other shareholders of LKPPL. We have also entered into an agreement to subscribe up to 74.0% equity stake of NPCL, subject to financial closure of the Nagarjuna Power Project. If for any reason, the acquisitions of LKPPL and NPCL do not close, including due to our inability to obtain necessary financing for the Nagarjuna Power Project, we would not gain control of the assets or earnings of LKPPL and NPCL, which would have a material adverse effect on our growth, financial condition and results of operations. Also, we intend to use a substantial portion of the Issue proceeds to pay for the acquisition of the shares of LKPPL and to fund the Nagarjuna Power Project. We intend to use the largest percentage of Issue proceeds to fund the Nagarjuna Power Project which is neither directly a project of the Issuer Company and nor is a part of the Issuer's group companies. If we are not able to close the acquisitions of LKPPL or achieve financial closure of NPCL prior to March 31, 2007, the Issue proceeds will be utilised for purposes other than as mentioned under the section "Objects of the Issue" on page 27 of this Red Herring Prospectus and we may lose any advance payment that were required to be paid in terms of the agreements governing the acquisition of shares of LKPPL or subscription of shares in NPCL.

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our existing businesses, as well as the development of new power, property development and infrastructure and construction related businesses directly or through our wholly or majority owned subsidiaries. We have limited or no past experience in the operation of hydro-based and coal-based power plants, property development and operation, power trading, power distribution and power transmission. Some of these businesses are evolving in India and are likely to be subject to substantial regulatory overview. We cannot assure you that we will be successful or will not suffer losses in such businesses or that our reorganisation program will achieve the goals we have set for it. We may have difficulty integrating newly acquired assets, businesses and employees into our existing operations and managing a substantially larger group. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

To the extent our operations continue to expand, we may need to increase the number of our employees and the scope of our operational and financial systems to handle the increased complexity and expanded geographic area of our operations. We may also seek to enter into new strategic partnerships. There can be no assurance that we will be able to manage such growth efficiently, retain and attract qualified management and employees, identify and successfully enter into strategic partnerships or that our current operational and financial systems and controls will be adequate as we grow. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

6. Each of Kondapalli Power Plant, Aban Power Plant and Lanco Amarkantak Power Plant relies on a single fuel supplier for its fuel needs.

The most critical feedstock required for our power plants to generate electricity is fuel. Both the Kondapalli Power Plant and the Aban Power Plant rely on a single fuel supplier, GAIL, for all of their fuel requirements. This dependence on a single supplier leaves the operations of these power plants vulnerable to fuel supply delays or failures by GAIL. Further, while LKPPL and APCL have contracted with GAIL for the long-term supply of natural gas to the Kondapalli Power Plant and the Aban Power Plant, we anticipate that the plants will not have sufficient fuel to operate at contracted capacity until alternative sources for fuel become available. Currently, GAIL is able to supply approximately 82.0% of the total contracted natural gas requirements for LKPPL, causing the plant to operate under capacity. Further, the fuel supply agreements for the Kondapalli Power Plant and the Aban Power Plant each expire in December 2010 unless the agreements are renewed for an additional term, whereas the PPAs for the Kondapalli Power Plant and the Aban Power Plant expire in 2015 and 2020, respectively. Similarly, the Lanco Amarkantak Power Plant will rely on a single fuel supplier, South Eastern Coal Fields Limited, for all its fuel requirements, making it vulnerable to fuel supply delays or failures by the supplier. In addition, the fuel supply agreement for the Lanco Amarkantak Power Plant expires in 2020, whereas its PPA expires in 2033, assuming it becomes operational as scheduled in 2008. Accordingly, if we are unable to renew the fuel supply agreements with the respective fuel suppliers for our power plants, we will have to find alternative suppliers for our fuel requirements. If either of these fuel suppliers fails or is unable to deliver fuel to us as scheduled or the fuel supply to one or more of our power plants is otherwise disrupted, or the fuel supply agreements are not renewed, we may not be able to make alternative arrangements, either in a timely manner or at all, and any such alternative arrangements may be more expensive for us. In the case of the Lanco Amarkantak Power Plant, such factors could delay its scheduled commencement of operations altogether. As a result of these factors, the operations of and revenues from, and the profitability of, our power plants may be adversely affected.

While the PPAs provide for mechanisms by which these fuel costs and obligations are “passed through” to the offtakers, we are still directly obligated to pay for these costs and obligations regardless of whether the offtakers pay us under the PPAs. We cannot assure you that the offtakers of our power plants will pay us the contracted amounts on time or at all. In fact, Indian State Government utilities have defaulted on such obligation in the past. In addition, we cannot assure you that in the event any of our power customers fails to pay us, our existing security arrangements would adequately cover us for all payments due. While the Kondapalli PPA provides for a three-tier payment guarantee mechanism that consists of a letter of credit, an escrow agreement and a state guarantee, the offtaker has not established such a letter of credit. The Aban PPA does not provide for any payment guarantee mechanism. We cannot assure you that the State Governments of the respective states in which our operational plants are situated and/or the respective states in which our plants will be eventually commissioned will honour their guarantees. Any material failure on the part of any of our customers to fulfil its respective obligations under its agreement with us would have a material adverse effect on our revenues, ability to service our debt, business, prospects, financial condition and results of operations.

7. We rely substantially on State-owned entities for our revenues. Political or financial pressures could cause them to force us to renegotiate our contracts and could adversely affect their ability to pay us.

Government authorities, as well as the relevant State electricity boards and utility companies, establish electricity rates and effect rate increases periodically. In the past, several State Governments, including the Governments of Tamil Nadu and Andhra Pradesh, where the Aban Power Plant and the Kondapalli Power Plant are located, respectively, have announced their intention to provide free electricity to farmers. Although changes in the retail price of electricity charged by the various State utility companies to their customers do not affect the tariff we are entitled to receive under our PPAs, such policies are likely to put further strain on the financial resources of the State utility companies and may lead to public and political pressure to reduce the tariffs we charge them or financial difficulties for those State utility companies which may adversely affect their ability to honour their obligations under their PPAs. Under the PPAs for our Rithwik Power Plant and Clarion Power Plant, the purchase price for the electricity supplied by us to the offtaker, APTRANSCO, after 2004 is determined by APERC. The tariff determined by APERC for 2004 was lower than the tariff paid by APTRANSCO before 2004. We cannot assure you that the payments we are entitled to receive under our PPAs will not be subject to further reductions. Any such reduction, if material, could materially and adversely affect our business, prospects and results of operations.

Further, the payment obligations of the offtaker under the Kondapalli PPA are guaranteed by GoAP. Faced with disputes and counter claims between transmission companies, electricity boards and generation companies caused by a variety of factors, certain State Governments have in the past refused to perform their obligations under such guarantees until such disputes or counterclaims have been fully resolved, which can take months or years. In addition, State Governments may face political or public pressure not to fulfil their obligations to us, which could in turn result in our inability to fulfil our obligations to others, including to suppliers of gas, coal and other feedstock. Accordingly, we cannot assure you that, in the event of a default under our PPAs, the Government entity guaranteeing payment thereunder will fulfil its obligations under the relevant guarantee in a timely manner or at all. Any failure by any Government entity to fulfil its obligations to us could have a material adverse effect on our cash flows, income, business prospects and results of operations.

8. Our projects are subject to construction, financing and operational risks.

The development of new projects involves various risks, including, among others, regulatory risk, construction risk, financing risk and the risk that these projects may prove to be unprofitable. We may need to undergo certain changes to our operations as a result of entering into these new projects. Entering into any new projects may pose significant challenges to our management, administrative, financial and operational resources. We cannot provide any assurance that we will succeed in any new projects we may enter into or that we will recover our investments. The funding requirement and project costs for our projects have been either appraised by third parties or are based on management estimates. If the funding requirements and project costs for these projects are higher than as estimated, we will need to find sources to fund the extra costs which may not be readily available. Any failure in the development, financing or operation of any of our significant new projects will likely materially and adversely affect our business, prospects, financial condition and results of operations.

We expect to commence commercial operation of the Lanco Amarkantak Power Plant, Lanco Green Power Plant, Vamshi Industrial Hydro Power Projects and Teesta VI Power Project by 2008 and the Uttaranchal Power Project by 2009. In addition, we expect to complete the Ocean Park Property Project and the Hyderabad Property Project in phases by 2011. We are yet to enter into implementation/ other definitive agreements for the Uttaranchal Power Project as we recently won the bid for the project in February 2006. Further, whilst we have not executed any implementation/ other definitive agreements for the Anpara Power Project as we won the bid for the project only in September 2006, all relevant parties have initialled the drafts of such agreements and we are seeking to execute the same. We have also signed a memorandum of understanding with the Government of Orissa to set up the Orissa Power Project. We may be adversely affected by the development of these and other new projects because:

- the contractors hired by us may not be able to complete the construction of our project on time, within budget or to the specifications and standards we have set out in our contracts with them;
- delays in completion and commercial operation could increase the financing costs, including due to increase in prices of raw materials, associated with the construction and cause our forecasted budget to be exceeded;
- we may not be able to obtain adequate working capital or other financing to complete construction of and to commence operations of our project; and
- we may not be able to recover the amounts we have invested in our projects if the assumptions contained in the feasibility studies for these projects do not materialise.

Since a portion of the construction contracts for five of the power projects are with LITL, any delays or financial or operational difficulties in relation to these projects will not only have a negative effect on our power and property development business, but also on our construction business. Also, we do not have guarantees or indemnities for these projects from any independent third parties. While we maintain insurance policies to cover natural disaster risks and certain other insurable risks, we cannot assure you that any cost overruns or additional liabilities on our part would be adequately covered by such insurance policies if at all. There can be no assurance that our current or future projects will be completed, or, if completed, that they would be completed on time and/or within the anticipated budget.

9. ***We may have increased risks relating to Subsidiaries that are not wholly-owned by us and associate companies that are partially-owned by us.***

We currently own a 51.0% interest in APCL and a 33.9% interest in LKPPL, and have entered into an agreement to acquire an additional 25.1% equity interest in LKPPL. See "Reorganisation" for more details on page 65 of this Red Herring Prospectus. We currently own a 99.9% interest in LHTPPL, which is responsible for the development of the Hyderabad Property Project.

Although we have or intend to acquire the majority stake in each of these companies and through such stake we are or expect to be able to appoint the majority of the directors on the boards of such companies, unanimity of the board is required for major decisions relating to the business operations of some of these companies. To the extent there are disagreements between us and our partners regarding the business and operations of these and the projects undertaken by them, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. Also, for the Kondapalli Power Plant, we rely on GLPPL, in which we have a 26.0% interest, for the operation and maintenance of the Kondapalli Power Plant. We do not have a controlling interest in GLPPL and if GLPPL fails to perform its obligations in accordance with the terms of its agreement with LKPPL, or if the agreement is terminated, we may not have the expertise to operate and maintain the Kondapalli Power Plant, including the imported equipment, which in turn would adversely affect LKPPL's revenues, the normal operation of Kondapalli Power Plant, and the life-span and efficiency of such equipment. Any such failure may also cause LKPPL to be in default of its obligations under the Kondapalli PPA and loan agreements.

Under the terms of the shareholder agreements, disagreements between the shareholders are required to be submitted to arbitration panels whose decisions are final. Such processes take time and may not be completed in sufficient time to have no adverse effect on our business. In addition, other shareholders in such companies may:

- be unable or unwilling to fulfil their obligations, whether of a financial nature or otherwise;
- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies and objectives;
- take actions that are not acceptable to regulatory authorities;
- have financial difficulties; or
- have disputes with us.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

10. Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses. We may not be able to raise the required capital or if so, under terms that are favourable to us.

Power, property development and infrastructure and construction projects are typically capital intensive and may require high levels of debt financing. Our available financial resources for implementing these projects, based on our internal studies and estimates, may be inadequate and the project development may face cost overruns. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations (including costs of funds) could increase and we may be subject to additional restrictive covenants, including restrictions on our payment of dividends, incurrence of further debt, change in shareholding, constitution of the board of directors and management of the businesses. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders will be diluted. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under Indian law and the laws of the relevant foreign jurisdiction. We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms or at all. Our failure to obtain adequate financing would result in the delay or abandonment of existing and future projects and could materially and adversely affect our results of operations and financial condition.

11. As a part of our reorganisation process, we have taken certain steps for which we need to obtain certain consents and approvals.

As a part of our reorganisation and pursuant to our contractual arrangements, approvals are required from our customers, lenders and Governmental agencies. For instance, we will apply to the RBI and the FIPB for their approval of the changes in shareholding undertaken in LKPPL. We are in the process of obtaining these approvals and a delay or inability to receive these approvals may have a material adverse effect on our business prospects, financial condition and results of operations.

12. Our growth strategy to expand into new geographic areas, including expanding our operations overseas, poses risks.

We are expanding our business to new geographic areas outside of our traditional focus area of Southern India. We are developing or have rights to develop and operate a 2 x 300.0 MW coal-based power project near Korba in the State of Chhattisgarh, a 500.0 MW hydroelectric power project in the State of Sikkim, a 70.0 MW hydroelectric power in the State of Uttaranchal, a 70.0 MW hydroelectric power project and four 5.0 MW hydroelectric power projects in the State of Himachal Pradesh. We have also won a bid to develop a 2 x 500.0

MW power plant in the State of Uttar Pradesh and acquired 7 x 1.25 MW wind power plants in Tamil Nadu. We have entered into a memorandum of understanding with the Government of Orissa to set up the Orissa Power Project. We may face additional risks if we undertake projects in geographic areas in which we do not possess the same level of familiarity with the development, ownership and management of properties or if we undertake a project of different size or style than those currently being developed, including:

- adjusting our construction methods to different geographies;
- obtaining the necessary construction materials and labour in sufficient amounts and on acceptable terms;
- delays in obtaining necessary governmental approvals;
- attracting potential customers in a market in which we do not have significant experience; and
- increased employee and infrastructure costs.

We are also actively evaluating business and investment opportunities in markets outside India. To the extent we enter into transactions and conduct business outside India, our business will be subject to risks and challenges generally associated with international operations and investments. These risks and challenges include risks with respect to interest rate and foreign currency fluctuations, different tax and regulatory environments, particularly with respect to the provision of financial services and direct investment, changes in social, political and economic conditions, the need to recruit personnel combining product skills and local market knowledge, obtaining the necessary clearance and approvals to set up business and competing with established players in these regions.

We may not be able to successfully manage the risks of such an expansion, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

13. ***We are dependent on various sub-contractors and specialist agencies to construct and develop our projects as well as third-party providers for the adequate and timely supply of raw materials and delivery of products. Any default on the part of our sub-contractors and providers may expose us to liability.***

As of March 31, 2006, we have sub-contracted certain portions of the construction contracts in our order book. While certain of our contracts allow us to sub-contract work, subject to the prior approval of our clients, as per the terms of the contracts, we are responsible for the deliverables by such sub-contractors. Hence, any acts of omission or commission by our sub-contractors could expose us to liability including delays, sub-standard workmanship, injury and damage and those arising from termination of these construction contracts.

In addition, in our property development business, we intend to hire and supervise third-party contractors to provide construction and engineering services for our managed properties. While our role may be limited to that of a supervisor, we may be subject to claims for construction defects or other similar actions. Adverse outcomes of such litigation could negatively impact our business, financial condition or results of operations.

We also typically use third-party providers for the supply of most of our raw materials. Transportation strikes by members of various truckers' unions have had in the past, and could have in the future, an adverse effect on our receipt of supplies and our ability to deliver our products in a timely manner. In addition, transportation costs have been steadily increasing. Continuing increases in transportation costs may have an adverse effect on our business and results of operations.

14. ***We may not be selected for the projects for which we have submitted a bid or our bids, if selected, may not be finalised within the expected time frame or on expected terms.***

We have submitted bids for various construction projects, power projects, road projects and property projects. There might be delays in the bid selection process owing to a variety of reasons which may be outside our control, and our bids, may not be selected or, if selected, may not be finalised within the expected time frame or on expected terms or at all.

Further, in selecting contractors or developers for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria including experience, technological capacity and performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although the price competitiveness of the bid is the most important selection criterion. Pre-qualification is key to our winning such major projects. We are currently only qualified to bid for projects up to a certain value and therefore may not be able to compete for larger projects. In order to bid for such larger projects, we need to enter into memoranda of understanding and joint venture agreements with partner companies to meet capital adequacy, technical and other requirements that may be required to qualify to bid for projects up to a certain value. However, there is no assurance that we will be successful in forging an alliance with partner companies to meet such requirements. Our ability to bid for and win such projects is dependent on our ability to demonstrate experience working on such large engineering, procurement and construction contracts as well as to develop strong engineering capabilities and credentials to execute more technically complex turnkey projects.

15. We are dependent on the expertise of our senior management and skilled employees and our results of operations may be adversely affected by the departure of our senior management and experienced skilled employees or our inability to attract new skilled employees.

We are dependent on our Directors and senior management for setting our strategic direction and managing our business, both of which are crucial to our success. Also, a significant number of our employees are skilled engineers and due to the limited pool of available skilled personnel, we face strong competition to recruit and retain skilled and professionally qualified staff. Our continued success also depends upon our ability to attract, recruit and retain a large group of experienced professionals and staff. The loss of the services of our senior management, including our Directors, or our inability to recruit, train or retain a sufficient number of experienced personnel could have a material adverse effect on our operations and profitability. Our ability to retain experienced staff members as well as senior management, including our Directors, will in part depend on us maintaining appropriate staff remuneration and incentive schemes. We cannot be sure that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and skilled employees.

16. Our controlling shareholders and certain officers may take actions that are not in, or may conflict with, our or our shareholders' best interests.

Our Promoters and Promoter Group will collectively own approximately 75.0% of our issued Equity Shares after the completion of this Issue and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our shareholders' best interests, including matters relating to our management and policies and the election of our directors and senior management, the approval of lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. Some of the Promoter Group companies are involved in businesses similar to those of the Company which could lead to competition between them and conflicts of interest. There is no assurance that the Promoter Group companies will not provide competitive services or expand their presence in the business in which the Company is already present, or the Promoters will not invest in companies in direct competition with the Company. The Promoters or the Promoter Group is not obligated to provide any business opportunities identified by them to the Company. If the Promoter Group companies enter into or expand their presence in businesses, or the Promoters invest in another company, in competition with the Company, the Company will lose the substantial financial support provided to the Company by the Promoters and the Promoter Group, which would materially adversely affect our business, financial condition and results of operations. Additionally, many of our Directors and senior management also serve as directors of, or are employed by, our affiliated companies. Our Promoters will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. Such control may also discourage third parties from seeking to effect a change of control transaction for our shares.

For further information, please see "Our Management", "Our Subsidiaries and Associates" and "Our Promoters" on pages 133, 199 and 146, respectively, of this Red Herring Prospectus.

17. ***Our new projects require a long gestation period and substantial capital outlay before we realise any benefits or returns on investments.***

Due to the nature of our business, our projects typically require a long gestation period and substantial capital outlay before completion and may take months or years before positive cash flows can be generated, if at all. The time and costs required in completing a project may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Further, we provide performance guarantees to our customers. If we fail to complete a project as scheduled, we may be held liable for penalties in the form of liquidated damages, which have historically ranged between 5.0% to 10.0% of the total project cost but could be higher in the future and, in some cases, the customer may be entitled to appoint, at our expense, a third party to complete the work. As part of our growth strategy, we may seek to acquire businesses, technologies and products, but we may fail to complete such acquisitions or realise the anticipated benefits of such acquisitions and may incur costs that could negatively affect our business. In addition, failure to complete a property development according to its original specifications or schedule, if at all, may give rise to potential liabilities and, as a result, our returns on investments may be lower than originally expected. Any of these factors may lead to delays in, or prevent, the completion of our projects and result in costs substantially exceeding those originally budgeted for.

18. ***Our long-term agreements expose us to certain risks.***

As of the date of this Red Herring Prospectus, we derive most of our revenues from long-term agreements, including PPAs and infrastructure development and construction agreements. These arrangements restrict our operational and financial flexibility in certain important respects and restrict our ability to grow our revenues from existing businesses. For example, business circumstances may materially change over the life of one or more of our contracts and we may not have the ability to modify our contracts to reflect these changes. Also, one of the standard conditions in contracts typically awarded by Governments or Government-backed entities is that the Government or entity, as the client, has the right to terminate the contract for convenience, without any reason, at any time after providing us with a short notice that may vary from a period of 30 to 90 days. In the event that a contract is so terminated, our results of operations may be materially adversely affected. Further, being committed under these contracts may restrict our ability to implement changes to our business plan. For each of the power and infrastructure projects, we are restricted in our ability to, among other things, increase prices, sell our interests to third parties, undertake expansions and contract with other customers. These restrictions limit our flexibility in operating our business, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Given that our revenue structure under each such contract is significantly fixed over the life of the contract (or fluctuates subject to the built-in adjustment mechanisms contained in such contract), our profitability is largely dependent upon our cost efficiency. If we are unable to effectively manage costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

19. *Our indebtedness, including the conditions and restrictions imposed on us by our financing agreements and any acceleration of amounts due under such arrangements, could adversely affect our ability to conduct our business.*

As of June 30, 2006, on a consolidated basis, we had total secured and unsecured loans of Rs. 8,806.5 million. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow will be used towards servicing and repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- the incurrence of additional debt by our Subsidiaries may restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our Subsidiaries to us;
- increases in market interest rates may adversely affect the cost of our borrowings, as some of our loans are at variable interest rates; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable assets and by certain immovable assets of our Promoter Group entities. Our accounts receivable and inventories are subject to charges created in favour of specific secured lenders. Many of our financing agreements also include various conditions and restrictive covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences for our business. Specifically, we must seek, and may be unable to obtain, lender consents to amend our Memorandum and Articles of Association, incur additional debt, issue new securities (debt or equity), change our capital structure, increase or modify our capital expenditure plans, provide additional guarantees, change our management structure, declare dividends, create additional charges on or further encumber our assets, create a subsidiary, remove personnel with substantial management powers or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. In addition, under certain financing agreements, we are required to appoint a nominee of the lender as a Director on our Board. Under certain of these agreements, we are also required to obtain the consent of the relevant lender to appoint a Director to our Board. The compliance with the various terms of our loans is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that would be advisable under our financing documents. As a result, it is possible that a lender could assert that we have not complied with all the terms under our financing documents. Any failure to service our indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of our credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

20. *Projects included in our order book may be delayed or modified, which could materially harm our cash flow position, revenues and earnings*.

Our order book does not indicate or guarantee that future earnings will be earned relating to the performance of that work. Order book projects represent business that is considered likely, but cancellations or scope or schedule adjustments may and do occur. We may also encounter problems executing the project as ordered, or executing it on a timely basis. Moreover, factors beyond our control or the control of our clients may postpone a project or cause its cancellation, including delays or failures to obtain necessary permits, authorisations, permissions, rights-of-way, and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in project scope and schedule, as a result of exercises of our clients' discretion, problems we encounter in project execution, or reasons outside our control or the control of our clients, we cannot predict with certainty when, if or to what extent an order book project will be performed. Delays in the completion of a project can lead to clients delaying or refusing to make payment to us of some or all of the amounts we expect to be paid in respect of the project. Even relatively short delays or surmountable difficulties in the execution of a project could result in our failure to receive, on a timely basis or at all, the final payments due to us on a project. In addition, even where a project proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to Order book projects or any other uncompleted projects, or disputes with clients in respect of any of the foregoing, could materially harm our financial condition, results of operations and cash flows.

21. ***We have certain contingent liabilities and our financial condition and profitability could be adversely affected if any of these contingent liabilities materialise.***

Our contingent liabilities as disclosed in our audited consolidated financial statements as of June 30, 2006 were as set out below. If any of these contingent liabilities materialise, our profitability may be adversely affected. For more detailed descriptions of our contingent liabilities, please see "Financial Statements" beginning on page F-1 and "Outstanding Litigation and Defaults" on page 249 of this Red Herring Prospectus.

(Rs. in million)

	As of June 30, 2006
Bank Guarantees outstanding	566.5
Corporate Guarantees outstanding	6,615.9
Entry Tax Liability	10.4
Income Tax Liability	15.5
Letter of Credit	340.6
Sales Tax Liability	1.4
Additional Customs Duty	8.9

22. ***We have in the last 12 months, issued Equity Shares at a price that is lower than the Issue Price.***

We have in the last 12 months made the following issuances of Equity Shares at a price that is lower than the Issue Price. In March 2006, we issued 23,076,666 bonus shares to our shareholders in the ratio of three shares per share held by each respective shareholder. In addition, in April 2006 we issued 15,384,444 bonus shares to our shareholders in the ratio of two shares per share held by each respective shareholder. In June 2006, we completed an issuance of 10,637,144 Equity Shares, face value of Rs. 10 per share, at a share premium of Rs. 170 per share and an issuance of 5,012,064 equity shares of a face value of Rs. 5 to the ESOS Trust. Further, on July 30, 2006, we issued 118,593,016 bonus shares of a face value of Rs. 10 each in the ratio of two shares per share held by each respective shareholder. For further details regarding such issuances of Equity Shares, please see Note 1 to the section titled "Capital Structure – Notes to Capital Structure" on page 17 of this Red Herring Prospectus.

23. *We have pledged or have agreed to pledge and will continue to pledge a portion of our shares in our Subsidiaries in favour of lenders, who may exercise their rights under the respective pledge agreements in events of default.*

We have pledged, or have agreed to pledge, a portion of the shares we hold in certain of our operating Subsidiaries in favour of the lenders as security for the loans provided to these Subsidiaries. If our Subsidiaries default on their obligations under the relevant financing documents, the lenders may exercise their rights under the share pledges, have the shares transferred to their names and take management control over the pledged Subsidiaries. If this happens, we will lose the value of any such pledged shares and we will no longer be able to recognise any revenue attributable to them. In addition, if we lose control of any of our major Subsidiaries, our ability to implement our overall business strategy would be adversely affected.

24. *Certain of our Promoter Group companies have incurred losses in the last three years.*

The following companies forming part of our Promoter Group have incurred losses in the last three years:

(Rs. in million unless otherwise indicated)

Name of the company	Loss for fiscal year				Negative Networth
	2006	2005	2004	2003	2003
Prince Stone[1]	NA	US$(0.01)	US$(0.01)	-	-
Lanco Net Limited	(4.4)	(6.79)	(8.57)	(18.72)	-
Lanco Projects Limited	(0.10)	(0.17)	(0.35)	(0.95)	-
Larsco Entertainment Private Limited	-	(3.89)	-	-	-
D.R.S Resorts Private Limited	(1.14)	-	-	-	-
GVRN Agro Estates Private Limited	(0.14)	(0.34)	(0.00)	-	-
Bhaskar Orchids Private Limited	-	(0.37)	-	-	-
Bhaskar Agro Farms Private Limited	-	(0.36)	(0.01)	-	-
GVRN Orchids Private Limited	(0.26)	-	-	-	-
Siri Orchids Private Limited	-	(0.01)	-	-	-
Venu Orchids Private Limited	-	(0.01)	-	-	-
Century Investments Limited	-	US$(0.01)	(0.01)	(0.02)	(0.02)
Island Power Ventures Limited	US$(0.01)	US$(0.01)	US$(0.00)	-	-
Lanco Institute of General Humanitarian Trust	-	-	(0.54)	-	-

Note: (1) Figures for the calendar years 2006, 2005, 2004 and 2003

25. *Our Promoter Group Companies, Lanco Global Systems Limited and Lanco Industries Limited, did not achieve the financial projections made by them in their prospectus relating to their initial public offering in July 2000 and July 1994, respectively.*

Lanco Global Systems Limited, one of our Promoter Group Companies, had made certain projections of its future revenues in its prospectus relating to its initial public offering in July 2000. However, its actual financial results were significantly lower than the projections made in the prospectus. The projections and the actual results of Lanco Global Systems Limited are reproduced below:

Particulars	2000 – 2001		2001 – 2002		2002 – 2003	
	Projections	Performance	Projections	Performance	Projections	Performance
Income from Operations	90.06	31.74	138.11	60.81	243.16	27.86
PBIDT	27.77	5.58	36.98	13.95	60.2	9.17
Interest	3.79	2.05	4.59	2.15	6.28	1.32
Depreciation	5.38	2.56	5.38	5.13	5.38	5.08
PBT	**18.08**	**0.96**	**26.49**	**6.67**	**48.01**	**2.77**
Tax	1.22	0	3.96	0.061	7.05	0.58
Profit After Tax	**16.86**	**0.96**	**22.53**	**6.61**	**40.96**	**2.19**
Book Value	-	9.92	-	10.27	-	10.54
Earning Per Share	-	0.09	-	0.62	-	0.21

Lanco Industries Limited, one of our Promoter Group Companies, had made certain projections of its future revenues in its prospectus relating to its initial public offering in July 1994. However, its actual financial results were significantly lower than the projections made in the prospectus. The projections and the actual results of Lanco Industries Limited are reproduced below:

Particulars	1994 – 1995		1995 – 1996		1996 – 1997		1997 - 1998		1998 - 1999	
	Projections	Performance	Projections	Performance	Projections	Performance	Projections	Performance	Projections	Performance
Net Sales	289.10	209.10	468.00	618.92	523.00	833.58	523.00	653.90	523.00	874.46
PBIDT	**94.20**	**47.31**	**165.90**	**156.92**	185.20	175.57	185.20	119.38	185.20	125.90
Interest	46.80	31.57	66.10	60.58	62.00	77.71	53.80	76.01	45.60	83.75
Depreciation	40.80	11.63	54.10	25.75	54.10	32.49	54.10	33.83	54.10	33.83
Tax	—	-	-	-	-	8.54	-	1.08	-	0.95
Profit After Tax	**6.60**	**4.10**	**45.80**	**70.58**	**69.10**	**56.82**	**49.30**	**8.44**	**49.80**	**7.39**
Book Value	10.31	9.84	12.32	11.63	13.52	12.89	15.35	12.15	17.53	12.81
Earning Per Share (Rs.)	0.26		1.83	2.94	2.77	2.09	1.97	0.34	2.00	0.30

The afore-indicated shortfall was on account of the delayed commissioning of the pig-iron plant and the captive power plant in 1994-1995. Further, during 1996-1997, there was a down-turn in the pig iron industry resulting in the margin reductions, resulting in lower profitability, despite higher turnover.

26. We had negative operating cash flows in 2005 and 2006. Any negative cash flows in the future could have an adverse effect on our results of operations.

We operate in capital-intensive industries and have historically financed the development of our projects and other capital expenditures through a combination of cash generated from operations, sale of equity interests and borrowings from commercial banks in India. We had negative operating cash flows of Rs. 372.6 million and Rs. 99.7 million and Rs. 309.6 million in 2005, 2006 and for the quarter ended June 30, 2006, respectively. We anticipate our capital expenditure requirements will increase significantly in the next 24 months due to our commitment to develop and fund our new projects, including Lanco Amarkantak Power Project, Nagarjuna Power Project, Lanco Anpara Project, Lanco Green Power Project, Vamshi Hydro Power Project, Uttaranchal Power Project, Vamshi Industrial Power Project, Teesta VI Power Project, Hyderabad Property Project and Ocean Park Property Project. If we are unable to raise finances to meet our working capital requirements and to fund our projects, our business, financial results and profitability will be adversely affected.

For details of our cash flow statements please see "Financial Statements" on page F-1 of the Red Herring Prospectus.

27. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of October 9, 2006, we employed 361 full-time employees, including two of our Promoters as Directors on our Board. In addition, we employ a large number of temporary contract labourers at our project sites. Further, as of March 31, 2006, LKPPL had 49 full-time employees.

There can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, which could adversely affect our business and results of operations. In addition, the number of contract labourers varies from time to time based on the nature and extent of work contracted to independent contractors. We enter into contracts with independent contractors to complete specified assignments. All contract labourers engaged at our facilities are paid minimum wages that are fixed pursuant to relevant State and Central laws and regulations. Any upward revision of wages required by such laws and regulations to be paid to such contract labourers, or offer of permanent employment, or the unavailability of the required number of contract labourers, may adversely affect our business, financial condition and results of operations.

Further, pursuant to the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, we may be required to absorb a portion or all of our contract labourers as our employees. Any such order from a court or any other regulatory authority may adversely affect our business and results of our operations.

28. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

Although we attempt to maintain the latest international technology standards, the technology requirements of each of our businesses are subject to continuing change and development. Some of our existing technologies and processes in each of our businesses may become obsolete and perform less efficiently than newer and better technologies and processes. The cost of upgrading or implementing new technologies, upgrading our existing equipment or expanding capacity could be significant and could adversely affect our results of operations.

29. We, certain of our Promoters and certain persons forming part of our Promoter Group and the Lanco Group are involved in certain legal proceedings and claims.

We, certain of our Promoters, certain persons forming part of our Promoter Group and the Lanco Group are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts, tribunals and statutory authorities.

The offtaker of the Kondapalli Power Plant has commenced court proceedings in relation to certain charges paid by the offtaker to LKPPL, amounting to Rs. 2,240.0 million. The offtaker claims that the charges payable by it should be based on the capacity of 355.0 MW, which was the operating capacity of the power plant at the time the PPA was entered into, whereas LKPPL has charged the offtaker for electricity based on the EPC guaranteed capacity of 368.1 MW. LKPPL disputes the offtaker's claim and so has recognised revenue based on the EPC guaranteed capacity of the power plant in terms of the Lanco Kondapalli PPA. However, if LKPPL is required by a court to refund the disputed amount to the offtaker, LKPPL's financial condition and results of operations will be materially and adversely affected.

Further, four arbitration cases, six money recovery cases, two tax related cases and two cases pertaining to miscellaneous matters have been filed against the Company and the same are at various stages of adjudication. Also, the Company, from time to time, initiates legal proceedings relating to its business and operations. For further details, please see "Outstanding Litigation and Defaults - A. Lanco Infratech Limited – Cases Against the Company" and "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases filed by the Company" on pages 249 and 251, respectively, of this Red Herring Prospectus.

Further, certain of our Promoters, certain Persons forming part of our Promoter Group and certain Persons forming part of the Lanco Group are also involved in litigation and for details of the same, please see "Outstanding Litigation and Defaults - B. Subsidiaries", "Outstanding Litigation and Defaults – C. Promoters", "Outstanding Litigation and Defaults – D. Promoter Group", "Outstanding Litigation and Defaults – E. Directors" and "Outstanding Litigation and Defaults – F. Companies Struck Off from the RoC" on pages 252, 253, 253, 255 and 255, respectively, of this Red Herring Prospectus.

Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which would increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse effect on our business and profitability.

30. ***A large portion of the proceeds from the Issue will be invested in the Subsidiaries and not in the Company.***

We expect to invest a significant portion of the proceeds from the Issue in our Subsidiaries and not in the Company. Some of these Subsidiaries are not wholly-owned by us. To the extent, there is a minority interest in the Subsidiaries, we exclude from our net profit the share of profits corresponding to the minority interest. Therefore, we may not fully benefit from the investments made in Subsidiaries not wholly-owned by us.

Further, whilst we are in the process of acquiring land and property with respect to the businesses carried on by our Subsidiaries, we cannot assure you that such acquisitions will be completed in a satisfactory and timely manner, thereby adversely affecting the operations of our Subsidiaries.

31. ***We compete with other Indian and foreign companies in each of the power, construction and property development sectors.***

A large number of power, property development and infrastructure-related contracts are awarded by the central and State Governments following competitive bidding processes and satisfaction of other prescribed pre-qualification criteria. Once the prospective bidders clear the technical requirements of the tender, the contract is usually awarded to the lowest bidder. We face intense competition in the bidding process from domestic as well as international companies. In recent years, with the opening of these sectors to foreign companies, large international corporations have entered these markets with greater resources and assets than us and so may be able to achieve better economies of scale allowing them to bid profitably at more competitive rates. In addition, new entrants to these industries may reduce their margin in order to gain market share. The nature of the bidding process may cause us and our competitors to lower prices to win contracts so as to maintain our respective market share. As a result of this competition, we face substantial margin pressure, which could have a material adverse effect on our business, prospects, financial condition, and results of operations.

With respect to our power business, pursuant to the terms of their respective PPAs, the power purchasers for our power plants owe, or it is proposed will owe, us take-or-pay obligations. However, this guaranteed payment is currently only with respect to the contracted capacities of the respective power plants. These power purchasers are not obligated to purchase any surplus power from us over and above our contractual amounts. Further, in order to sell power to third parties other than these offtakers, we need to utilise their grid systems for which a fee is payable to them. Once the terms of our PPAs expire, unless we can renegotiate new "take or pay" arrangements, we will be required to compete with other power plant operators on price for sales of power which is currently covered under such arrangements by selling our power in the open market. In addition, we expect to face future competition in acquiring new projects and assets from government entities or other power companies. We also expect significant competition in our power trading business. The regulatory environment for the power sector has undergone significant changes in the last two years. These changes include the removal of licensing requirements for the establishment and operation of thermal power plants, open access to transmission and distribution networks and the removal of certain restrictions on the right to build captive power plants. These changes may increase the financial viability of private generation investment, and increase the competition we face in the expansion of our power business.

With respect to our construction business, we currently face significant competition from a number of Indian and international infrastructure developers and construction houses in acquiring both concessions for development projects and existing projects under the capacity augmentation program. The Government of India has taken a number of initiatives to stimulate private sector participation in the various infrastructure sectors, including the provision of capital grant subsidies, duty-free import of equipment, tax exemptions, and other State support initiatives. As a result of these initiatives, we have seen large domestic and international firms with larger financial and other resources and experience than us enter these sectors in recent years and bid for large infrastructure and construction contracts. Some of these companies may operate on a larger scale than us and thus may be able to achieve better economies of scale than us and further we may not be able to compete with these companies for large construction and infrastructure projects.

With respect to our property development business, we face competition for development of IT parks from other developers in India and from abroad, particularly those IT parks that are built to international standards and located in close proximity to us. Additionally, we face competition from both domestic and foreign companies in bidding for prime land and new property development projects. A number of foreign property developers have recently formed consortia with Indian companies to bid for the property development projects. There is no guarantee that we will be successful in future bids for new property development projects against such foreign property developers.

32. *We do not own the "Lanco" trademark or logo used in all of our businesses.*

We conduct most of our business under the trademark of "Lanco" as it appears on the cover page of this Red Herring Prospectus. L. Rajagopal, a former director of LITL and a member of the Promoter Group of our Company, owns the logo. Pursuant to a Deed of Trademark Licence dated June 14, 2006 between L. Rajagopal and LITL, L. Rajagopal granted a non-exclusive and non-assignable right to LITL to use the name and logo as part of its corporate or trade name or trading style in consideration for the payment of a nominal licence fee. The Deed also authorises LITL to allow the use of this trademark by its subsidiaries. The Deed is for a period of 15 years and may be terminated upon breach of any material terms or conditions of the Deed, if there is a potential litigation associated with licencee's use of the trademark that may attract adverse publicity, if in the licensor's opinion, LITL is no longer a part of the Lanco Group companies or due to any other factor that may have a material adverse effect on the parties to the Deed or the enforceability of the Deed. If we lose our right to use the trademark, we may need to change our logo. Any such change could require us to incur additional costs and have a material adverse effect on our reputation, goodwill, business, prospects, financial condition and results of operations.

33. We are subject to extensive regulations.

The power and infrastructure sector in India is highly regulated. The regulatory framework, which consists of regulations and directives issued by governmental authorities, has changed significantly in recent years and the impact and ramifications of such changes are still unclear. We expect that certain additional reforms, including a change of the current regulatory bodies and existing legal framework, will take place in the next few years. For a more detailed description of the current regulatory bodies and the existing legal framework, please see "Regulations and Policies" on page 114 of this Red Herring Prospectus. Uncertainty in interpretation of existing regulations and new laws or changes to the regulations applicable to us could involve as in significantly greater compliance costs and management time and delay completion or operation of our projects and otherwise materially and adversely affect our financial condition and results of operations.

Additionally, we are required to obtain certain approvals, licences, registrations and permissions for operating our power, property development and construction businesses, for which we may have made, or are in the process of making an initial application or renewing. If we fail to obtain or retain any of these approvals or licences, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. Furthermore, our Government approvals and licences are subject to numerous conditions, some of which are onerous and require substantial expenditure. If we fail to comply or a regulator claims we have not complied with these conditions, our business, prospects, financial condition and results of operations would be materially adversely affected.

34. If the operation of one or more of our assets is disrupted, it would have a material adverse effect on our financial condition and results of operations.

The operation of our assets may be disrupted for reasons that are beyond our control, including incremental weather, natural disasters, industrial accidents, arson (including terrorist attacks), technical failures and labour disputes. Because our power plants are complex, involve potentially dangerous processes and the use of hazardous materials, our business is particularly susceptible to industrial accidents. Further, we rely on extremely sophisticated and complex machinery that is built by third parties and is susceptible to malfunction. This is particularly true in the current industry environment, which involves rapid technological developments and often involves the installation of newly developed equipment which has not been extensively field-tested. Although in certain cases manufacturers are required to compensate us for certain equipment failures and defects, such arrangements are subject to fixed caps and may not fully compensate us for the damage that we suffer as a result of equipment failures and defects or the penalties under our agreements with our customers and do not generally cover indirect losses such as loss of profits or business interruption. Additionally, procurement and construction works carried out in respect of our projects involve a number of hazards including earthquakes, flooding, tsunamis and landslides. Natural disasters may cause significant interruption to our operations, disruption to our properties and damage to the environment that could have a material adverse impact on us. There can be no assurance that any natural disasters, accidents or malfunctions involving our assets will not have an adverse effect on our business, prospects, financial condition and results of operations.

35. Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, prospects, financial condition and results of operations.

Some of our operations are subject to risks generally associated with the storage and transportation of fuels and waste materials, including the discharge of toxic or hazardous substances, which can cause personal injury, loss of life, environmental damage and severe damage to property. We are subject to environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the

Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of the relevant states.

The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations and could include us being required to incur substantial clean up costs.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, could adversely affect our business, prospects, financial condition and results of operations.

36. Our business is significantly dependent on the Government of India's focus on infrastructure development and expenditure levels in the infrastructure sector.

Our business is dependent on projects undertaken and funded by governmental authorities and/or by international and multilateral development finance institutions in sectors including power, irrigation and water supply, transportation projects and mass housing projects, which are traditionally the domain of entities directly or indirectly owned or controlled by either the central or State Governments. Any change in the Government's focus or the policy framework regarding infrastructure development may adversely affect our business and results of operations.

Our entry into specific segments, for example, undertaking BOT or BOOT infrastructure projects, may require public-private participation. Investment by the private sector in such projects is dependent on potential returns and is therefore linked to Government policies relating to public-private participation and sharing of risks and returns from such projects. A reduction of capital investment in or a change in Government support and promotion for the infrastructure sector could have a material adverse impact on our business and results of operations.

37. Operation of infrastructure assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses.

Operating infrastructure assets involves many risks and hazards which may adversely affect our profitability, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labour disturbances, environmental hazards, industrial accidents and terrorist activity.

We maintain insurance coverage, including business interruption insurance with respect to each of our operating projects that we believe is customary for the infrastructure industries in India in which we operate. Our insurance, however, may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. We cannot assure you that the operation of our projects will not be affected by any of the incidents and hazards listed above, or that the terms of our insurance policies will be adequate to cover any damage or loss caused by any such incidents and hazards or which we may otherwise suffer.

Risks relating to the Power Business

38. We are subject to significant contractual risks under our PPAs with our power purchasers.

All of the counterparties under our PPAs are State-owned entities and are the principal purchasers of wholesale electricity in the states in which we operate. Due in part to the foregoing, we were limited in our ability to negotiate the terms of our PPAs. As such, these agreements are not tailored to our specific operating circumstances and contain a number of provisions that we believe present risks to our business including:

- the relevant State-owned entity can at any time and at its own discretion curtail the flow of output of power generated in the event that it deems an emergency to exist;
- each of our PPAs provides for penalties for our failure to perform our contractual obligations, including the option for the relevant power purchaser to terminate these agreements upon expiration of the relevant cure periods for events of default by us; and
- each of our PPAs may be terminated before the end of its term due to the default of either party and the remedies available to us, including a claim for damages and the right to force the Government or our power purchaser to buy our power plant, may not adequately compensate us.

If we wish to continue to bid and win power projects, we will have to continue to accept such onerous contractual terms. These contractual risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

39. If our facilities do not meet operating performance requirements and agreed norms as set out in our PPAs, or otherwise do not operate as planned, we may incur increased costs and penalties and our revenues may be adversely affected.

The operation of power plants involves many operational risks, including the breakdown or failure of generation equipment or other equipment or processes, labour disputes, fuel interruption and operating performance below expected levels. However, our PPAs require us to guarantee certain minimum performance standards, such as plant availability and generation capacity. In addition, the tariffs we charge our offtakers assume a certain heat rate and other agreed norms. If our facilities do not meet the required performance standards, our offtakers will not reimburse us for any increased costs arising as a result of our plants' failure to operate within the agreed norms, and we may be required to pay penalties to our offtakers, any of which may affect our results of operations. In addition to the performance requirements specified in our PPAs and other agreements, national and State regulatory bodies and other statutory and Government mandated authorities may from time to time impose minimum performance standards upon us. Failure to meet those requirements could expose us to the risk of penalties.

40. Our PPAs can be terminated by us or our offtakers upon triggering of events of defaults as defined in the PPAs.

Pursuant to our PPAs, the occurrence of certain events of default by us or our offtakers would result in the termination of the PPAs, unless these events of default are remedied within the specified cure period. For further details of events of defaults, please see "Our Business" and "Description of Certain Important Project Contracts" on pages 67 and 92, respectively, of this Red Herring Prospectus.

Certain of our PPAs provide that if the PPA is terminated due to an event of default triggered by us, then the offtaker has the option to buy the power plant. In this scenario, the buy out price may not cover the entire outstanding debt as per the approved project cost and the net present value of expected return on equity for the remainder part of the PPA.

In both events, this buy out price may not be adequate to cover the then prevailing economic value of the power plant. In addition, any such default under a PPA would trigger defaults under our financing facilities and could cross default other debt. Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and result of operations.

41. The occurrence of force majeure events not covered by our PPAs and our insurance policies may lead to temporary suspension of operations of the power plant resulting in loss of revenue.

Under the terms of our PPAs, on the occurrence of certain events that may be considered as *force majeure* events, our offtakers have agreed to make certain payments to us notwithstanding the inability of the company to operate the respective power plant. For further details, please see "Description of Certain Important Project Contracts" on page 92 of this Red Herring Prospectus. Payment as determined by a valuation process provided for under the PPAs would also be required to be made for a termination of the PPAs due to the occurrence of a *force majeure* event.

However, events which are not covered as a *force majeure* event either in our PPAs or as insured risks, may lead to temporary suspension of operations of our power plants resulting in loss of revenue to us. In addition, we cannot assure you that the amounts received under our insurance policies would be sufficient to cover the loss or damage suffered. Further, the buy-out payment in the event of termination of our PPAs may not be adequate to cover the then existing economic value of our power plant.

42. Our ability to develop a profitable power trading business is dependent on the success of our price risk management strategies.

In July 2004, we obtained a licence to operate a power trading business in India. We commenced our power trading business in January 2006 and so we have no substantial experience in this business. For the quarter ended June 30, 2006, LEUL, which became a subsidiary in March 2006, generated Rs. 443.6 million in revenues. Our ability to develop a profitable power trading business is in large part dependent on the success of our price risk management strategies. We purchase electricity from utility companies with surplus power through a competitive bidding process and sell it to utilities with deficit power. We try to match our buy and sell orders through prior discussions with utility companies and our knowledge of the industry. However, we face the risk of purchasing power and not having buyers for it. CERC can impose heavy penalties on non-sale of power purchased by us, which if imposed could have a material adverse effect on our business, prospects, financial condition and results of operations.

Further, experience in the U.S. and other countries have shown that the emergence of power trading could cause instability in the market for power. For instance, power trading could cause serious congestion when transmission line capacities cannot cope with the increase in energy flows. This carries the risk of unexpected and widespread power failures, production shortages and price volatility. Such instability in the market for power could materially and adversely affect on our business, prospects, financial condition and results of operations.

43. The power sector in India is in the process of deregulation and our success will depend on our ability to respond to the changes that are taking place.

We may not be able to respond in a timely or effective manner to the many changes taking place in the power sector. These changes are intended to increase competition, among other things. The Electricity Act of 2003 passed by the Indian Parliament in May 2003 provides for significant deregulation of the power sector and envisions a comprehensive change in the current regulatory structure where the Government owns nearly all generation and transmission and distribution businesses. Under this legislation, we are one of the permitted distribution licencees and independent power producers. The Electricity Act permits new generation plants other than hydro plants and nuclear plants to come into existence without restriction.

The Electricity Act only provides a framework, and we cannot predict whether and in what manner the Government will adopt legislation relating to deregulation of the power sector or how such laws may be implemented through detailed regulations, or integrated or enforced. There can be no assurance that we will be able to respond to such changes, comply with such new regulations at reasonable cost, compete effectively or acquire or develop new power plants in the future, and any failure to do so could have a material adverse effect on our business, prospects, financial condition and results of operations.

Risks relating to our Construction Business

44. Construction projects carry many risks which could adversely affect our business.

Construction projects carry many risks, which, to the extent they materialise, could adversely affect our business, prospects, financial condition and results of operations. These risks include:

- political, regulatory and legal actions that may adversely affect project viability;
- changes in Government and regulatory policies;
- delays in construction and operation of projects;
- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the willingness and ability of consumers to pay for infrastructure services;
- shortages of or adverse price movements for raw materials;
- environmental risk, including rehabilitation and resettlement costs; and
- adverse developments in the overall economic environment in India.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

45. Our execution of large-scale integrated projects poses risks.

There are various risks associated with the execution of large-scale integrated projects. Larger contracts may represent a larger part of our portfolio, increasing the potential volatility of our results and exposure to individual contract risks. Managing large-scale integrated projects may also increase the potential relative size of cost overruns and negatively affect our operating margins to a greater degree. Large-scale integrated projects may cause us to assume portions of the project with potentially lower percentage margins. This is particularly so because they attract larger competitors and often more intense competition. Our ten largest contracts represented 87.0% of our revenues from construction business for the year ended March 31, 2006. If we do not achieve our expected margins or suffer losses on one or more of these large contracts, this could reduce our net income to a greater degree or cause us to incur a loss.

46. Unanticipated cost escalation of materials, fuel costs, labour and other inputs and purchase price of equipments may adversely affect our results of operations.

Costs of materials, labour and other inputs constitute a significant part of our operating expenses. Our construction operations require various bulk construction materials including steel, cement, bitumen and fly-ash, among others. In certain of our contracts, we are required to procure various equipment including process equipment, mechanical equipment, vessels, machinery, piping materials and electrical and instrumentation components, and the prescribed cost escalation formula may not be adequate to cover the entire cost increase. Unanticipated increases in the purchase price of equipment not taken into account in our bids may adversely affect our results of operations.

Contracts, irrespective of their type (*i.e.*, lump sum, item rate or design and build), typically contain price variation or escalation clauses that provide for either reimbursement by the client in the event of a variation in the prices of key raw materials (*e.g.*, steel and cement) or a formula that splits the contract into pre-defined components for materials, labour and fuel and links the escalation in amounts payable by the client to pre-defined price indices published periodically by the RBI or the Government. Claims for contract valuation are often subject to lengthy arbitration or litigation proceedings. Under such circumstances, we may have to use significant additional working capital to ensure successful execution of such projects. Further, we may also face counterclaims initiated against us by certain clients in connection with our project claims. If we are held liable for any of these counterclaims, we will incur write-downs and charges against our earnings to an extent that a reserve may not be established. Even if we do not lose such counterclaims we may not be successful in our claim for contract valuation. Some contracts do not include such price variation or escalation clauses. In such instances, we face the risk that the price of key raw materials and other inputs will increase during the project execution period and we are unable to pass on such cost increases to the client.

Risks relating to our Property Development Business

47. We are exposed to pre-construction related legal and regulatory risks. Further, two of our three property projects are subject to legal proceedings.

All of our property projects are currently in the planning stage and the construction for these projects has not been commenced. We need to obtain various approvals and enter into a development agreement with the respective State entities before we can start developing these projects. The projects will also require various regulatory approvals both at pre, during, and post construction phases which may not be obtained in time or on reasonable conditions, causing delays or otherwise adversely affecting the project. If we do not commence construction of the projects before a time stipulated by the Government we may be subject to penalties. We have currently only signed a letter of intent in relation to the Hyderabad Property Project and so our participation in such project is not definite. In addition, Mantri Developers Private Limited filed a suit in relation to its participation under the Hyderabad Property Project and for further details, please see "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases Against the Company" on page 249 of this Red Herring Prospectus.

With respect to the Vizag Property Project, APIIC withdrew its letter of award and expressed its inability to proceed further with the project and also invoked the bank guarantee of Rs. 6.2 million that we had provided at the time of bidding for the Vizag Property Project. We have initiated litigation against APIIC against the cancellation of the award. In the meantime, we have extended the bank guarantee and issued a cheque dated September 18, 2006 for Rs. 80 million, which is to be encashed on issuance of the project revival letter. Further details of the litigation have been disclosed for the reference of the investors in the section titled "Our Litigation and Defaults – A. Lanco Infratech Limited - Cases filed by the Company" on page 251 of this Red Herring Prospectus. Due to the litigation, the land has not yet been granted to us. We do not intend to enter into a development agreement or pay any advances for the project until the litigation related to the land is settled. Therefore there is no assurance that we will get clear title to the property for the Vizag Property Project and be able to undertake this project. In addition, we may not be able to recover the bank guarantee of Rs. 6.2 million.

48. We are dependent on the performance of Hyderabad's property market

Although we plan to expand into the property markets in other cities in India, our property development business and prospects depend significantly on the performance of the Hyderabad property market. Currently, two of our three property projects are located in Hyderabad. Accordingly, our business, financial condition and results of operations have been and will continue to be heavily dependent on the Hyderabad property market. The Hyderabad property market may perform differently from property markets in other cities or areas in India. In the past few years, prices of residential properties in Hyderabad have risen significantly, but such growth has often been coupled with volatility in market conditions and fluctuation in property prices. It is not possible to predict whether demand for commercial or residential property in Hyderabad or India generally will continue to grow in the future, as many social, political, economic, legal and other factors may affect the development of the property market. Accordingly, there can be no assurance that the level of demand will consistently match the level of supply. In the event of any unfavourable developments in the supply and demand or any decreases in property prices in Hyderabad or other parts in India, our business, financial condition and results of operations may be adversely affected.

49. Our ability to sell our property products will be affected by the availability of financing to potential customers, especially buyers of residential properties.

A large number of our customers, especially buyers of residential properties, finance their purchases through third-party mortgage financing. The interest rate has been substantially reduced since the 1990's, when it ranged between approximately 16.0% and 18.0%, to a range of 8.0% to 10.0%. As a result, the amount of housing loans disbursed in India has been consistently increasing. Availing of home loans for residential properties has become particularly attractive due to income tax benefits. In the event there is a change in the policy of the Government and such income tax benefits are withdrawn or the interest rates on such loans are increased, or there is decrease in the availability of home loans, the use of home loans may be reduced which is likely to adversely affect the pricing for our properties, and which may adversely affect our operating results and financial condition.

50. We may not be successful in identifying and undertaking projects, which may impede our growth.

Integral to our strategy for our property development business is our ability to undertake new projects. We may not be successful in identifying suitable land for our projects that meet our acquisition criteria or in finalising acquisitions on satisfactory terms. Our failure to identify or finalise acquisitions or to build or develop saleable properties, or meet customer demand in a timely manner, could result in damage to or loss of customer relationships. In addition, it could reduce the number of projects we undertake and slow our growth, which could adversely affect our results.

Further, prior to undertaking a project, we conduct due diligence and assessment exercises in relation to the financial viability of the project and in certain circumstances get appraisal reports from third parties. Due to the nature of the industries in which we operate, certain potential risks and liabilities may not come to our notice while conducting such exercises. Consequently, we may face unexpected liabilities and the project may not deliver as per our estimations. Such unexpected liabilities may negatively impact our financial condition, revenues and earnings.

51. The property market in India is cyclical and therefore our revenues from the property development and construction business may vary significantly from period to period.

Historically, the property market in India has been cyclical, a phenomenon that can affect the optimal timing for both the acquisition of sites and the sale of completed development properties. Over the last few years, property prices and the number of property development projects have gradually increased in major cities in India, including New Delhi, Mumbai, Bangalore and Hyderabad, as a result of an increase in demand driven by domestic economic growth. There is, however, no assurance that such growth will continue or that problems of oversupply and falling property prices will not occur in the Indian property market, including Hyderabad, where many of our property development projects are located. As a result, our revenues from the property development business may vary significantly from period to period. Such factors can also adversely affect the demand and prices for construction. Future fluctuations of or declines in the property market business cycle could have a material adverse affect our business, financial condition and results of operations.

Risks Associated with Investments in an Indian Company

52. A slowdown in economic growth in India could cause our business to suffer.

Our performance and the quality of growth of our business are necessarily dependant on the health of the overall Indian economy. India's economy could be adversely affected by a general rise in interest rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business including our ability to implement our strategy and increase our participation in the infrastructure and property development sectors. The Indian economy is currently in a state of transition and it is difficult to gauge the impact of certain fundamental economic changes on our business. While the Government has recently been encouraging private participation in the infrastructure and property development sectors, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the continued movement of private capital into infrastructure development. Further, since infrastructure services in India have historically been provided by central and/or State Governments without charge or at a nominal charge, the growth of the private infrastructure industry will be impacted by consumer income levels and the extent to which they would be willing to pay or can be induced to pay for infrastructure services. Any downturn in the macroeconomic environment in India or in specific sectors could adversely affect the price of our shares and our business and financial performance.

53. Demand for power, property development and construction services in India depends on domestic and regional economic growth.

Each of the power, property development and construction businesses, like that of many other countries, is dependent on the level of domestic, regional and global economic growth, international trade and consumer spending. The rate of growth of India's economy and of the demand for power, property development and infrastructure services in India may not be as high, or may not be sustained for as long, as we have anticipated. During periods of robust economic growth, demand for such services may grow at a rate as great as, or even greater than, that of the GDP. On the other hand, during periods of slow GDP growth, such demand may exhibit slow or even negative growth. To the extent growth in the Indian economy is less than what we anticipate, demand for power and our property development and construction services may be lower than we anticipate, making our projects and other businesses unprofitable. There can be no assurance that future fluctuations of the economic or business cycle, or other events that could influence GDP growth, will not have a material adverse effect on our business, prospects, financial condition and results of operations.

54. Any downgrading of India's debt rating by a domestic or international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely impact our ability to raise additional financing as well as the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of our shares.

55. We are subject to various Indian taxes and avail ourselves of tax benefits offered by the Government. Our profitability would decrease if there is any adverse change in general tax policies or if the tax benefits are reduced or withdrawn.

We currently have operations and staff spread across various states of India and we further propose to expand our operations to other states in India. Consequently, we are, and would be, subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of the related jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any given tax year.

Taxes and other levies imposed by the central or State Governments in India that affect our industry include customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time. The central and State tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or State Governments may adversely affect our competitive position and profitability. Currently we have claimed certain tax credits under Section 80 IA of the I.T. Act, relating to infrastructure development projects which decrease the effective tax rates compared to the statutory tax rates. There can be no assurance that these tax incentives will continue in the future or that such tax credits shall be held to be available to us. The non-availability of these tax incentives could adversely affect our financial condition and results of operations. The Government has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us, which is likely to increase our tax liability.

Presently, infrastructure development projects enjoy certain benefits under Section 80 IA. As a result of these incentives, most of our projects are subject to relatively low tax liabilities. Our income tax exemptions for various projects expire at various points in time. There is no assurance that the infrastructure projects will continue to enjoy the tax benefits under Section 80 IA. When our tax incentives expire or terminate, our tax expense will materially increase, reducing our profitability. Further, the Government could enact laws in the future that may adversely affect our tax incentives, and in turn, our tax liabilities and profits.

56. Political instability or changes in the Government could adversely affect economic conditions in India generally and our business in particular.

The Government of India has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Governments have pursued policies of economic liberalisation and financial sector reforms. The Government dissolved parliament in February 2004, and following the general elections held during April and May 2004, a new coalition Government, the United Progressive Alliance, led by the Indian National Congress party, elected in May 2004. The new Government has announced its general intention to continue India's current economic and financial sector liberalisation and deregulation policies. However, there can be no assurance that such policies will be continued and a significant change in the Government's policies in the future could affect business and economic conditions in India and could also adversely affect our business, prospects, financial condition and results of operations.

57. Terrorist attacks and other acts of violence or war involving India, the United States and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, prospects, financial condition and results of operations.

Terrorist attacks as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, prospects, financial condition and results of operations. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

58. If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, the health of which our business depends upon.

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including those between India and Pakistan. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan are nuclear powers. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our shares.

59. We are subject to risks arising from exchange rate fluctuations.

The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. From December 31, 1999 to May 31, 2002, the value of the Rupee declined by 12.8%. From May 31, 2002 to March 31, 2006, the value of the Rupee against the US Dollar rose by approximately 12.5%. Accordingly, our operating and financial results would be negatively affected if the Rupee depreciates against the US Dollar. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operations.

Risks Related to Our Shares and the Issue

60. You will not be able to trade any of the Equity Shares you purchase in the Issue immediately on an Indian Stock Exchange.

Under SEBI Guidelines, we are permitted to allot Equity Shares within 15 days of the closure of the public issue. The Equity Shares you purchase in the Issue may not be credited to your book or demat account until approximately 15 days after the issuance of the Equity Shares. You can start trading the Equity Shares once they have been credited to your demat account and listing and trading approvals are received from the Stock Exchanges. There can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

61. There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue and, as a result, you could lose a significant portion or all of your investment.

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty selling the Equity Shares that you purchased. The initial public offering price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue. The market price of the Equity Shares on the Indian Stock Exchanges may fluctuate after listing as a result of several factors, including the following:

- volatility in the Indian and other global securities markets;
- risks relating to our business and industry, including those discussed above;
- our ability to complete projects in time;
- strategic actions by us or our competitors;
- investor perception of the investment opportunity associated with the Equity Shares and our future performance;
- significant development in the regulation of financial services markets;
- adverse media reports about us, Prince Stone or our Subsidiaries;
- future sales of the Equity Shares, including sales by Prince Stone;

- variations in our quarterly results of operations;
- differences between our actual financial and operating results and those expected by investors and analysts; and
- changes in analysts' recommendations or perceptions of us or India.

A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

62. ***Future sales of Equity Shares by shareholders, including Prince Stone, may adversely affect the market price of the Equity Shares.***

After this Issue, Prince Stone, which is controlled by L. Madhusudhan Rao, will own approximately 50.3% and the Promoter and the Promoter Group will collectively own approximately 75.0% of our issued Equity Shares. The market price of the Equity Shares could decline due to the sale of a large number of the Equity Shares, or the perception that such sales may occur. This, in turn, could make it difficult for you to sell Equity Shares in the future at a time and at a price that you deem appropriate.

63. ***Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are more volatile than securities markets in developed economies. Indian Stock Exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges have also experienced problems that have affected the market price and liquidity of listed securities. These problems include temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Additionally, disputes have occurred between listed companies and the Indian Stock Exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, could negatively impact the market price and liquidity of the Equity Shares.

64. ***Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.***

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends after we commence operations. Additionally, we may be restricted by the terms of our proposed debt financing to make dividend payments only after a certain time period as will be agreed with the lenders.

65. ***Any future equity offerings by us could lead to dilution of your shareholding or adversely affect the market price of the Equity Shares.***

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through equity financing. As a purchaser of the Equity Shares in the Issue, you could experience dilution to your shareholding in the event that we conduct future equity offerings. Such dilution can adversely affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our equity securities. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of the Equity Shares.

66. ***We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy, and the Indian power, property development and infrastructure-related sectors contained in this Red Herring Prospectus.***

Facts and other statistics in this Red Herring Prospectus relating to India, the Indian economy and the Indian power, property development and infrastructure-related sectors have been derived from various Government publications and obtained in communications with various Indian Government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the BRLMs or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics include the facts and statistics included in the sections entitled "Industry Overview" on page 49 of this Red Herring Prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Notes to Risk Factors

1. The Issue comprises a public issue of 44,472,381 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million by the Company. The Issue comprises a Net Issue to the public of 43,972,381 Equity Shares of Rs. 10 each and a reservation for Eligible Employees of 500,000 Equity Shares of Rs. 10 each, at the Issue Price. The Issue would constitute 20.0% of the fully diluted post Issue paid up equity capital of the Company. The Net Issue would constitute approximately 19.8% of the fully diluted post Issue paid up equity capital of the Company.
   - Our net worth was Rs. 3,000.92 million as of June 30, 2006 as per our consolidated financial statements under Indian GAAP.
   - The net asset value per Equity Share was Rs. 17.87 as of June 30, 2006, as per our consolidated financial statements under Indian GAAP.
2. After March 31, 2006, we made the following issuances:
   - Bonus issue of 15,384,444 Equity Shares by way of a bonus issue to our existing shareholders in the ratio of one share for every two shares of the Company held by our shareholders on April 24, 2006;
   - Fresh issue of 10,637,144 Equity Shares on June 7, 2006;
   - Issue of 5,012,064 Equity Shares of a face value of Rs. 5 to the ESOS Trust on June 16, 2006;
   - Bonus issue of 118,593,016 Equity Shares by way of a bonus issue to our existing shareholders in the ratio of two shares per one share held by our shareholders on July 30, 2006.

   For further details, please refer to Note 1 to the section titled "Capital Structure – Notes to Capital Structure" on page 17 of this Red Herring Prospectus.
3. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Investors, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please see "Issue Procedure - Basis of Allotment" on page 309 of this Red Herring Prospectus.
4. Investors are advised to refer to the section titled "Basis for Issue Price" on page 38 of this Red Herring Prospectus.
5. The average cost of acquisition of our Equity Shares by our Promoters is as follows:
   - L. Madhusudhan Rao – Rs. 0.43 per Equity Share;
   - G. Bhaskar Rao – Rs. 0.42 per Equity Share;
   - L. Sridhar – Rs. 0.44 per Equity Share;
   - LGL – Rs. 51.43 per Equity Share; and
   - Prince Stone - Rs. 2.95 per Equity Share.
6. Trading in Equity Shares of our Company for all the investors shall be in dematerialised form only.

7. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
8. For details of our related party transactions, please see "Related Party Transactions" on page 221 of this Red Herring Prospectus.
9. Details of Sundry Debtors balances due from private companies in which directors of the company are directors as at March 31, 2006:

Name of the party	*(Rs. in Millions)*
Lanco Energy Private Limited	171.12
Lanco Green Power Private Limited	36.93
Vamshi Hydro Energies Private Limited	12.37
Lanco Amarkantak Power Private Limited	11.47
Total	**231.89**

The above balances are on account of construction project contracts with these companies. For details of loans and advances, please see "Financial Information- Statement of Loans and Advances" on page F-16 of this Red Herring Prospectus.

10. Details of loans and advances balances due from a company in which the directors are partners as at March 31, 2006

Name of the party	*(Rs. in Millions)*
S.V. Contractors	40.30

The above balances are on account of construction project contracts with these companies. For details of loans and advances, please see "Financial Information- Statement of Loans and Advances" on page F-16 of this Red Herring Prospectus.

11. For details of the interests of our Promoters and Directors in the Company, please see "Our Promoter - Interests of Promoters and Common Pursuits" and "Our Management – Interest of Directors" on pages 149 and 143, respectively, of this Red Herring Prospectus.

SECTION III – INTRODUCTION

SUMMARY

We are an infrastructure development company in India with interests in power, construction and property development. We currently own 11 power projects (of which five are in operation and six are under development) with current operating capacity of 149.75 MW in operation and 1,260.0 MW under development. We currently own 33.9% of LKPPL, which owns and operates the Kondapalli Power Plant, and have agreed to acquire an additional 25.1% equity stake from Globeleq. We expect to complete the acquisition by the quarter ending December 31, 2006. The Kondapalli Power Plant has an operating capacity of 368.1 MW. We also have a right to subscribe up to 74.0% of the share capital of NPCL upon achieving financial closure of the Nagarjuna Power Project prior to March 31, 2007. The Nagarjuna Power Project is expected to have an operational capacity of 1,015.0 MW. Our power assets consist of gas, bio-mass, hydro, coal (indigenous and imported) and wind-based power plants. We also have interests in power trading in India and commenced power trading operations in January 2006. In the construction business, we have experience in the execution of several power projects, transportation networks, water supply works, and commercial and residential building complexes. These projects include the coffer dam for the Tehri Dam project, the Veeranam Water Supply project, modernisation of an 825-bed hospital for the Indian Navy in Mumbai, a cable-stayed flyover in Navi Mumbai, and construction of the Kondapalli Power Plant and the Aban Power Plant. We are currently involved in construction projects in relation to power projects, highways and a telephone exchange. In the property business, we own or have won bids to develop approximately 19.5 million square feet of saleable area, including a 100.0 acre integrated IT park and township and a 21.8 acre residential development, both located in Hyderabad. Our services cover all stages of development of our projects, including the supervision of construction services, financing and operations.

Our promoters are Mr. L. Madhusudhan Rao, Mr. G. Bhaskara Rao, Mr. L. Sridhar, Prince Stone and LGL.

In order to consolidate the power, construction and property development business of the Promoter Group companies and the Lanco Group under one holding company, we commenced a reorganisation in May 2006, pursuant to which, we acquired a controlling interest in 19 entities from the Promoter Group. Subsequently, we also acquired a 13.3% equity stake of APCL from Aban Ventures, which combined with the 37.7% interest of the Promoter Group and Lanco Group, gave us a controlling interest in APCL. As a consequence, these entities became our consolidated Subsidiaries. Also as part of the reorganisation, LKPPL is expected to become a consolidated Subsidiary of LITL by the quarter ending December 31, 2006 following the proposed acquisition of an additional 25.1% interest from Globeleq for US$30.0 million (approximately Rs. 1,394.7 million) plus interest for the period from October 8, 2006 ("Payment Date") until the actual payment is made, if the closing is not completed by the Payment Date. The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to Government approval and the consent of the other shareholders of LKPPL. The purpose of the reorganisation and consolidation of the power and property development businesses into LITL is to derive synergies from operating across various businesses in infrastructure development.

We currently operate three different businesses within infrastructure development, namely, power, construction and property development. The power business is expected to contribute significantly to our income and profits in the near future. The property development business is still in the early stages of growth. We operate our construction business through LITL. In the years ended March 31, 2004, 2005 and 2006, LITL's total consolidated income was Rs. 1,307.7 million, Rs. 1,852.9 million and Rs. 1,483.9 million, respectively, and LITL's profit after taxation was Rs. 70.7 million, Rs. 92.5 million and Rs. 170.7 million, respectively. In the quarter ended June 30, 2006, LITL's total consolidated income was Rs. 1,109.6 million and net profit after taxation, minority interest and share of profits of associates was Rs. 130.6 million. We operate our power business through individual project companies that are consolidated Subsidiaries of LITL. We expect LKPPL and APCL to contribute a significant portion of our revenues going forward. APCL commenced operations in August 2005 and had a total income and profit after taxation for the period from August 11, 2005 to March 31, 2006 of Rs. 983.5 million and Rs. 33.6 million, respectively. APCL's results of operations were consolidated with LITL's results of operations for the quarter ended June 30, 2006 with effect from June 7, 2006. APCL's total income and profit after taxation for the quarter ended June 30, 2006 was Rs. 375.4 million and Rs. 8.7 million respectively. Also, in the years ended March 31, 2004, 2005 and 2006, LKPPL's total income was Rs. 5,625.3 million, Rs. 5,681.2 million and Rs. 5,650.5 million, respectively and profit after taxation was Rs. 599.9 million, Rs. 1,077.1 million and Rs. 1,067.9 million, respectively. For the quarter ended June 30, 2006, LKPPL's total income was Rs. 1,437.1 million and profit after taxation was Rs. 247.7 million.

All of our businesses are located in India, and all of our investments are in companies that operate businesses in India. Historically, in the power sector, we have been most active in Southern India, in the states of Andhra Pradesh, Tamil Nadu and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Amarkantak, in the State of Chhattisgarh (where we are developing a coal-based power plant) and in the states of Uttaranchal, Himachal Pradesh and Sikkim (where we are developing hydroelectric power plants). Recently in September 2006, we won the bid to develop and operate the coal-based Anpara "C" power plant in the State of Uttar Pradesh. While we plan to capitalise on our belief that India will continue to experience strong and growing demand for power and urban infrastructure, we also intend to pursue suitable opportunities to acquire assets in other parts of Asia.

Our Competitive Strengths

- **Our experience in the construction business and acquisitions and implementation of power projects enables us to identify and successfully execute projects.** We believe our experience in the infrastructure sector and our industry knowledge allows us to identify and evaluate new projects effectively. Our experience in diverse projects helps us to assess risks and the potential returns of a project. For example, in the power business, we identified and are developing various hydroelectric power projects in order to benefit from cheaper, more readily available and environmentally friendly fuel. We believe that we have earned a reputation for reliability and completing projects on schedule within the sectors in which we operate and among our customers. In addition, our experience, among other factors, helps us to pre-qualify for large projects.
- **We maintain operations in diverse businesses, which reduces our dependence on any one area of the infrastructure business.** We currently operate in the power, construction and property development sectors. In the power sector, we operate, or are commencing operations of, gas, bio-mass, hydro, coal and wind-based power plants. In the construction sector, we provide construction services for various types of civil construction and infrastructure projects, including power plants, irrigation and water supply projects, transportation, engineering projects, commercial and residential buildings, mass housing projects and townships, industrial structures, corporate offices and hospitals. In the property business, we propose to develop IT parks and residential and commercial projects. This variety of project types enables us to keep our business diversified and reduces our dependence on any one segment, while providing us with an opportunity to participate in the overall growth in the Indian infrastructure sector. In addition, we have, or will have, operations across eight states in India.
- **We have the ability to undertake projects on both turnkey and design-build basis.** In addition to routine construction projects, we undertake projects on a turnkey basis, in which we provide a range of specialised construction and operational services including electrical, fire prevention and control, plumbing, air conditioning and other civil works. We also provide design-build services to clients in various segments. In design-build projects, we typically design or oversee the design of the project by third-party service providers according to the client’s requirements. When such projects require capabilities that we cannot provide, we outsource such functions to third-party service providers. Our experience in executing turnkey and design-build projects demonstrates our ability to provide a variety of services to clients and accordingly, enables us to pre-qualify for significant projects in which clients seek such solutions. For example, we believe we were pre-qualified for, and later awarded, the Hyderabad Property Project, in part, due to the strength of our experience in performing turnkey and design-build projects.
- **We benefit from the use of the Lanco brand.** We are the flagship company of the Lanco Group. Our affiliates have been operating in India for over 40 years in a wide variety of businesses, including manufacturing, construction, IT and IT-enabled services and power. Due to the long-standing history of the Lanco group of companies in India, we believe that the Lanco brand enjoys brand recognition in India. We position our brand to be associated with reliability, trust and value. We currently use the Lanco brand in each of our power, construction and property development businesses. Please see “Risk Factors – We do not own the “Lanco” trademark or logo used in all of our businesses” on page xxxi of this Red Herring Prospectus.
- **We have entered into strategic and financial partnerships with leading international firms and have strong relationships with leading Indian financial institutions.** We believe that one of our strengths stems from the knowledge and experience gained from the long operating history of the Lanco Group, as well as good working relationships we have established with Government entities and international corporations. In the power sector, we have worked, or are currently working, with Genting Group (Malaysia), Doosan Engineering (Korea) and General Electric Company. We established a relationship with Globeleq, a large infrastructure-focused private equity fund in the UK, through its purchase of a 25.1% interest in our power subsidiary, LKPPL. For our construction projects, we have had strategic partnerships with Hyosung – Ebara Company Limited, Voist-Alpine Tech Wabagh (India) and Punchak Niaga Holdings Berhad Malaysia. For the LAPPL project, DEG subscribed to 11.76% of the equity share capital of LAPPL, subject to certain conditions. Given that our affiliates have operated in various industries in India for over two decades, many of the leading Indian financial institutions have worked with, or are otherwise familiar with, the Lanco group of companies. We believe our good working relationships with international corporations and Indian financial institutions, as well as Lanco Group’s extensive experience in working with them, enhance our ability to find strategic partners and raise funding.
- **We have a qualified and experienced employee base and proven management team.** We believe that a well-trained, motivated and satisfied employee base is key to our business. As of October 9, 2006, we employed 361 full-time employees, including two of our Promoters as Directors on our Board. We believe the skill sets of our employees give us the flexibility to adapt to the needs of our clients and help satisfy the technical requirements of the various projects that we undertake. We are committed to develop the expertise and know-how of our employees through regular technical seminars and training sessions. Our management team is well qualified and experienced in the construction and power industry and has been responsible for the growth of our operations. We have recently expanded our Board by appointing five independent Directors whom we believe will provide us with significant business experience as well as strengthen corporate governance.

Our Business Strategy

Our strategy is to build upon our competitive strengths and business opportunities to become a leading integrated infrastructure group in India. Our business strategy consists of the following principal elements:

- **Capture the high growth opportunities in the Indian infrastructure sector**. We believe that the increasing levels of investment in infrastructure by Governments and private industries will be a major driver for growth in our business in the foreseeable future. Additionally, the GoI has taken steps to encourage additional investments in infrastructure, such as formulating plans to create SEZs in various areas of India and providing economic benefits to private sector participants for projects executed on a BOT or annuity basis. We intend to take advantage of the growing opportunities in infrastructure development by strengthening our existing expertise in the power, construction and property development businesses and identifying new prospects for growth. For example, in the power sector following our recent acquisition of APCL and assuming completion of our planned acquisition of LKPPL, we intend to build a stable stream of revenues from power plants by developing and operating nine new power plants, which include coal (both indigenous and imported) and hydroelectric power plants. We also recently entered the power trading business and are looking for opportunities to integrate downward by entering into power transmission and power distribution. In the construction business, we intend to leverage our past experiences and financial position to partner with larger national and international companies to bid for and participate in larger and more profitable projects.
- **Identify new investment opportunities in the property development sector.** We currently own or have won bids to develop approximately 19.5 million square feet of saleable area. We propose to develop an integrated IT park and township in Hyderabad based on a "Walk to Work" concept. We intend to identify and develop more signature projects with similar concepts. We have a dedicated and experienced infrastructure team to identify projects that can be developed using our expertise in constructing medium to large size integrated townships.
- **Consolidate our position in the civil construction sector.** We believe we are one of the well established players in the Indian civil construction business, having demonstrated an ability to undertake a wide range of construction projects, including high-end residential projects, mass housing projects, hospitals, corporate offices and industrial buildings. We intend to continue to target additional opportunities and pursue more technically complex projects in the civil construction sector, including turnkey and design-build projects, to maintain and build on our market position. We also intend to expand our client base for civil construction projects by bidding for and acquiring more projects offered to private sector entities in India.
- **Leverage our experience in the infrastructure sector to further our property development business.** Through our construction business and recently acquired power business, we have acquired skills and experience, as well as business relationships, many of which we believe can be applied to the development of projects in the same and other sectors. For instance, we have acquired substantial experience in construction risk allocation and mitigation, as well as raising debt financing for our projects from financial institutions and commercial banks on competitive terms. We intend to apply these skills and experience to the development of projects in the same and other sectors, including the Hyderabad Property Project and the Ocean Park Property Project that we propose to develop.
- **Improve performance and competitiveness of existing core businesses.** In addition to growth through expansion, we seek to improve the performance and competitiveness of our existing businesses. For the power business, in order to allow us to generate electricity at a lower cost and reduce our reliance on any one type of fuel, we are developing coal-based (both domestic and imported) and hydroelectric power plants. For the construction business, we are focusing on improving our profit margin by reducing costs through efficient project management. We also intend to increase our profitability by bidding for the development of new infrastructure projects on a BOT basis. We believe BOT contracts generally provide better operating margins than other construction contracts because of the added overall control of project costs that can be exerted by the contractor. Additionally, we believe BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of assets. We intend to increase our focus on BOT and annuity projects by leveraging our technical and financial credentials, including our improved equity position following the Issue. We also expect reducing our leverage will improve our ability to partner or form strategic alliances with corporate developers and domestic and international financial institutions. For the property development business, we plan to pursue joint venture development projects to maximise capital allocation and use our capital resources to build up our land banks. We also intend to build our marketing experience by forming associations with international marketing organisations to enable us to expand our marketing reach across India and internationally.

Also, please refer to the section titled "Industry Overview" on page 49 of this Red Herring Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables present consolidated summary financial information for LITL and should be read in conjunction with the Auditors' Reports and the consolidated financial statements and notes thereto contained in this Red Herring Prospectus and the sections titled "Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Our Business" on pages F-1, 223 and 67, respectively of this Red Herring Prospectus. The summary financial information presented below as of and for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and for the quarter ended June 30, 2006 were derived from the audited consolidated financial statements of LITL, audited by Price Waterhouse, Chartered Accountants, in accordance with Indian GAAP. The summary consolidated financial information presented below does not purport to project our results of operations or financial condition.

I. SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

		2006	2005	2004	2003	2002	June 30, 2006
I.	**INCOME**						
	Sales and Operating Income	1,471.01	1,839.21	1,292.56	1,745.62	1,617.44	1,101.68
	Other Income	12.92	13.71	15.10	10.30	15.99	7.90
	Total	**1,483.93**	**1,852.92**	**1,307.66**	**1,755.92**	**1,633.43**	**1,109.58**
II.	**EXPENDITURE**						
	Subcontract Cost and Other Construction Cost	742.24	760.37	651.26	1,003.23	785.23	327.29
	Generation and Operating Expenses	516.23	862.45	394.82	463.35	538.30	512.02
	Administration and Other Expenses	45.09	54.94	76.48	161.83	136.11	43.51
	Interest and Finance Charges	36.28	60.50	78.52	27.14	36.00	56.65
	Loss on sale of assets (Net)	0.21	48.04	13.25	1.77	1.21	0.35
	Depreciation	18.91	40.00	40.73	23.88	17.18	29.12
	Total	**1,358.96**	**1,826.30**	**1,255.06**	**1,681.20**	**1,514.03**	**968.94**
III.	**Profit Before Taxation and before Minority Interest/ Share of profits of Associates**	124.97	26.62	52.60	74.72	119.40	140.64
	Provision for Taxation						
	- Current	40.00	23.51	20.46	14.70	12.40	48.74
	- Fringe Benefit	0.28	-	-	-	-	0.22
	- Deferred	(6.82)	(29.61)	(2.45)	13.82	-	(1.60)
IV.	**Profit After Taxation and before Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts**	91.51	32.72	34.59	46.20	107.00	93.28
	Minority Interest	(0.03)	4.63	6.21	-	-	0.87
	Share of Profits of Associates (net)	79.13	64.37	42.35	49.60	-	38.19
V.	**Net Profit After Taxation,** Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts	170.67	92.46	70.73	95.80	107.00	130.60
	Surplus brought forward from Previous year	381.23	288.77	218.04	275.52	211.42	573.68
VI.	**Profit available for appropriation**	551.90	381.23	288.77	371.32	318.42	704.28
	Appropriations						
	General Reserve	-	-	-	16.55	-	
	Capital Reserve	-	-	-	-	42.90	
	Interim Dividend - Considered as Final	-	-	-	80.77	-	
	Deferred Tax liability-Opening	-	-	-	55.96	-	
VII.	**Adjusted Available Surplus carried to Balance Sheet**	551.90	381.23	288.77	218.04	275.52	

II. SUMMARY OF CONSOLIDATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at June 30, 2006
I.	**SOURCES OF FUNDS**						
1.	**Shareholders' Funds**						
	(a) Capital	307.69	76.92	76.92	76.92	76.92	567.78
	(b) Reserves and Surplus	646.59	706.69	614.74	543.50	585.77	2,433.14
		954.28	**783.61**	**691.66**	**620.42**	**662.69**	**3,000.92**
2.	**Minority Interest**	137.80	40.93	48.01	-	-	781.29
3.	**Loan Funds**						
	(a) Secured Loans	780.88	132.00	301.75	196.77	176.75	8,456.51
	(b) Unsecured Loans	616.92	631.04	275.77	6.26	105.90	350.00
4.	**Deferred Tax liabilities** (Refer Note 4 (xiii) on schedule 19)	30.65	37.72	67.33	69.78	-	29.09
	TOTAL	**2,520.53**	**1,625.30**	**1,384.52**	**893.23**	**945.34**	**12,617.81**
II.	**APPLICATION OF FUNDS**						
1.	**Fixed Assets**						
	(a) Gross Block	234.66	198.31	616.56	395.20	390.31	5,433.34
	(b) Less: Depreciation	85.51	66.70	114.11	75.03	52.62	530.88
	(c) Net Block	**149.15**	**131.61**	**502.45**	**320.17**	**337.69**	**4,902.46**
	(d) Capital Work in Progress	118.65	6.86	0.64	-	-	3,298.98
	(e) Expenses during construction period pending allocation (net)	141.03	78.58	-	-	4.79	766.75
		408.83	**217.05**	**503.09**	**320.17**	**342.48**	**8,968.19**
2.	**Investments**	1,014.78	596.03	819.51	479.13	522.38	1,653.77
3.	**Current Assets, Loans and Advances**						
	(a) Inventories	164.12	86.76	200.49	128.69	129.16	569.02
	(b) Sundry Debtors	380.52	179.59	90.93	146.54	159.01	621.29
	(c) Cash and Bank Balances	413.57	359.11	130.38	175.49	188.10	886.22
	(d) Other Current Assets	1.83	2.47	5.52	19.41	17.05	11.43
	(e) Loans and Advances	1,717.67	515.04	249.60	286.09	383.75	2,863.48
		2,677.71	**1,142.97**	**676.92**	**756.22**	**877.07**	**4,951.44**
	Less: Current Liabilities and Provisions:						
	(a) Liabilities	1,311.84	307.63	612.09	660.74	747.51	2,731.60
	(b) Share Application Money	267.30	21.85	-	-	48.12	181.21
	(c) Provisions	1.65	1.27	2.91	1.55	0.96	42.78
		1,580.79	**330.75**	**615.00**	**662.29**	**796.59**	**2,955.59**
	Net Current Assets	**1,096.92**	**812.22**	**61.92**	**93.93**	**80.48**	**1,995.85**
	TOTAL	**2,520.53**	**1,625.30**	**1,384.52**	**893.23**	**945.34**	**12,617.81**

THE ISSUE

Equity Shares offered by	
The Company	44,472,381 Equity Shares
Employee Reservation Portion	500,000 Equity Shares
Therefore,	
Net Issue to the Public	**43,972,381 Equity Shares**
Out of which:	
QIB Portion	At least 26,383,429 Equity Shares
Of which:	
Mutual Fund Portion	1,319,172 Equity Shares
Non-Institutional Portion	Up to 4,397,238 Equity Shares
Retail Portion	Up to 13,191,714 Equity Shares
Equity Shares outstanding prior to the Issue	177,889,524 Equity Shares
Equity Shares outstanding after the Issue	222,361,905 Equity Shares
Use of proceeds by the Company	See the section titled "Objects of the Issue" on page 27 of this Red Herring Prospectus.

GENERAL INFORMATION

Our Company was originally incorporated on March 26, 1993 as "Lanco Constructions Limited" in Andhra Pradesh with its registered office at 1-8-50/G, 2nd Floor, Krishna Nagar Colony, Prenderghast Road, Secunderabad – 500 003 and received its certificate of commencement of business on March 31, 1993. With effect from June 2, 1994, the Company shifted its registered office to Ground Floor, Visaka Towers, 1-8-303/69/3, Sardar Patel Road, Secunderabad – 500 003. The Company further shifted its registered office, with effect from July 12, 1998, to Lanco House, 141, Avenue No. 8, Road #2, Banjara Hills, Hyderabad – 500 034. On November 24, 2000 the Company's name was changed to "Lanco Infratech Limited".

Registered Office

Lanco Infratech Limited
Lanco House , 141, Avenue #8
Road #2, Banjara Hills
Hyderabad – 500 034
Andhra Pradesh
India
Registration Number: 01-15545 of 1992-93

Address of Registrar of Companies

Registrar of Companies of Andhra Pradesh
2nd floor, CPWD Building,
Kendriya Sadan, Sultan Bazar, Koti,
Hyderabad 500195
Tel: (91 40) 4657 937/4657 2807
Fax: (91 40) 4657 2807
Email: rochyd.sb@sb.nic.in

Board of Directors of the Issuer

1. L. Madhusudhan Rao - Executive Chairman
2. G. Bhaskara Rao - Executive Vice- Chairman
3. L. Sridhar - Non-Executive Vice-Chairman
4. S.C. Duggal –Director
5. G. Venkatesh Babu - Managing Director
6. H.N. Sinor – Additional Director (Independent)
7. P. Abraham – Additional Director (Independent)
8. Dr. P. Kotaiah – Additional Director (Independent)
9. P. Narsimharamulu – Nominee Director, Indian Overseas Bank (Independent)
10. Dr. Uddesh Kumar Kohli – Additional Director (Independent)

For further details of our directors, see the section titled "Our Management" on page 133 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

C. Krishnakumar
Lanco Infratech Limited
Lanco House , 141, Avenue #8
Road #2, Banjara Hills
Hyderabad – 500 034
Andhra Pradesh
India
Tel: (91 40) 2354 0695/697/701/703
Fax: (91 40) 2354 0699
E-mail: krishnakumar@lancogroup.com
Website: www.lancogroup.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-issue or post-issue related problems such as non-receipt of letters of Allotment, credit of allotted Equity Shares in the respective beneficiary account and refund orders.

Domestic Legal Advisors to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai – 400 013
India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

Amarchand & Mangaldas & Suresh A. Shroff & Co.
1-10-20/2B, 4th floor
Pooja Edifice
Chickoti Gardens
Begumpet
Hyderabad - 500 016
India
Tel: (91 40) 6633 6622
Fax: (91 40) 6649 2727

International Legal Advisors to the Underwriters

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: (852) 3740 4700
Fax: (852) 3740 4727

Domestic Legal Advisors to the Underwriters

S&R Associates
K 40, Connaught Circus
New Delhi – 110 001
India
Tel: (91 11) 4289 8000
Fax: (91 11) 4289 8001

Book Running Lead Managers

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021
India
Tel: (91 22) 6630 3030
Fax: (91 22) 2204 7185
Email: lanco.ipo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person: Vibhor Kumar / Mayank Jain

Enam Financial Consultants Private Limited
801, Dalamal Towers
Nariman Point
Mumbai 400 021
India
Tel: (91 22) 6638 1800
Fax: (91 22) 2284 6824
Email: lanco.ipo@enam.com
Website: www.enam.com
Contact Person: Ashish Kumbhat

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg, Churchgate
Mumbai 400 020
India
Tel: (91 22) 2288 2460
Fax: (91 22) 2282 6580
Email: lanco_ipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Vaishnavi Reddy/ Ratnadeep Acharyya

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar 229
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 6634 1100
Fax: (91 22) 2284 0492
Email: lanco.ipo@kotak.com
Web site: www.kotak.com
Contact Person: Ajay Vaidya

Syndicate Members

JM Morgan Stanley Financial Services Private Limited
Apeejay House, 3, Dinshaw Waccha Road,
Churchgate
Mumbai 400 021
India
Tel: (91 22) 6504 0404
Fax: (91 22) 6630 1694
Email: lanco.ipo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person: Deepak Vaidya

Enam Securities Private Limited
Khatau Building, II Floor,
44B Bank Street,
Off Shahid Bhagat Singh Road,
Fort
Mumbai 400 020, India
Tel: (91 22) 6638 1800
Fax: (91 22) 2284 6824
Email: lanco.ipo@enam.com
Web site: www.enam.com
Contact Person: M. Natarajan

ICICI Brokerage Services Limited
ICICI Centre
H.T. Parekh Marg
Churchgate , Mumbai 400 020
India
Tel: (91 22) 2288 2460
Fax: (91 22) 2282 6580
Email: anil_mokashi@isecltd.com
Website: www.icicisecurities.com
Contact Person: Anil Mokashi

Kotak Securities Limited
1st Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021
India
Tel. :(91 22) 6634 1100
Fax.: (91 22) 6630 3927
Email: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Umesh Gupta

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup
Mumbai 400 078
India
Tel: (91 22) 2596 3838
Fax: (91 22) 2594 6969
Website: www.intimespectrum.com
E-mail: isrl@intimespectrum.com
Contact Person: Haren Modi

Auditors to the Company

M/s Price Waterhouse
Chartered Accountants
6-3-550, 2nd Floor, L.B. Bhavan
Somajiguda
Hyderabad – 500 082
Andhra Pradesh
India
Tel: (91 40) 2330 1364
Fax: (91 40) 2332 6117
Email: LITL.IPO@in.pwc.com

Bankers to the Issue and Escrow Collection Banks

Standard Chartered Bank
6-3-1090, Raj Bhavan Road,
Somajiguda,
Hyderabad – 500 082
Andhra Pradesh
India
Tel: (91 40) 2339 7197
Fax: (91 40) 2339 7008
Email: jubin.mehta@in.standardchartered.com

ING Vysya Bank Limited
22, M.G. Road,
Bangalore – 560 001
Karnataka
India
Tel: (91 80) 2500 5280
Fax: (91 80) 2500 5262
Email: sharmilag@ingvysyabank.com
rajeevkumarg@ingvysyabank.com

Kotak Mahindra Bank Limited
3rd Floor, Ceebros Centre,
39, Montieth Road,
Egmore, Chennai – 600 008
Tamil Nadu
India
Tel: (91 44) 4224 5500
Fax: (91 44) 4224 5799
Email: natarajan.g@kotak.com

Deutsche Bank AG
Global Transaction Bank,
Hazarimal Somani Marg,
Fort,
Mumbai – 400 001
Maharashtra,
India
Tel: (91 22) 5658 4045
Fax: (91 22) 2207 6553
Email: shyamal.malhotra@db.com

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai - 400 001
Maharashtra,
India
Tel: (91 22) 2262 7600
Fax: (91 22) 2261 1138
Email: sighartha.routray@icicibank.com

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai – 400 001
Maharashtra,
India
Tel: (91 22) 2268 5568
Fax: (91 22) 2262 3890
Email: zersisirani@hsbc.co.in

Bankers to the Company

Lord Krishna Bank
6-3-1090, TSR Towers
Raj Bhavan Road
Somajiguda
Hyderabad – 500 082
India
Tel: (91 40) 2337 646
Fax: (91 40) 2337 1640
Email: hydb@lardsbank.com

Bank of Baroda
Khairatabad Branch
Opp. Telephone Bhavan
6-1-84, Secretariat Road, Post Box No. 49
Khairatabad, Hyderabad – 500 004
India
Tel: (91 40) 2323 2901/ 08
Fax: (91 40) 2323 2909
Email: khaira@bankofbaroda.com

State Bank of India
Commercial Branch
Bank Street
Koti, Hyderabad – 500 095
India
Tel: (91 40) 2475 5918
Fax: (91 40) 2475 6698
Email: vs.rao555@sbi.co.in

The Lakshmi Vilas Bank Limited
5-1-716/1, 1st Floor
Bank Street
Koti, Hyderabad – 500 195
India
Tel: (91 40) 2474 5088
Fax: (91 40) 2474 5088
Email: hyderabad@lvbank.com

Indian Overseas Bank
Post Box No. 4,
Chandralok Complex
Mahatma Gandhi Road
Secunderabad – 500 003
India
Tel: (91 40) 2784 7817
Fax: (91 40) 2784 0742
Email: secunbr@hyddrc01.iob.net.co.in

State Bank of Mysore
6-3-865, Industrial Finance Branch
My Home Jupalli
Ameerpet
Hyderabad – 500 016
India
Tel: (91 40) 2340 1909
Fax: (91 40) 2341 4618
Email: hydifb563@sbm.co.in

Indus Ind Bank Limited
"LAXMI", 100
Sardar Patel Road
Begumpet
Secunderabad - 500 003
Tel: (91 40) 2790 7660
Fax: (91 40) 2790 7673
Email: hyde@indusind.com

Andhra Bank
Specialised Corporate Finance Branch
6-6-648, III rd Floor, Padmaja Land Mark
Somajiguda
Hyderabad – 500 082
Tel: (91 40) 2337 8068
Fax: (91 40) 2339 2138
Email: bmhydm1006@ab.co.in

UCO Bank
8-2-624, Ground Floor
Road No. 10, Banjara Hills
Hyderabad – 500 034
Tel: (91 40) 3090 5927
Fax: (91 40) 2337 5876
Email: ucobh@sancharnet.in

Our Subsidiaries and Associates have also availed of certain credit facilities (fund and/or non-fund based) from specific banks and/or financial institutions. For more details, please refer to the section titled "Description of Certain Indebtedness" beginning on page 262 of this Red Herring Prospectus.

Monitoring Agency

SICOM Limited
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India
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Inter se List of Responsibilities among Book Running Lead Managers

	Activity	**Responsibility**	**Co-ordination**
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	JMMS, Enam, Kotak, ICICI Securities	JMMS
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing	JMMS, Enam, Kotak, ICICI Securities	JMMS
3.	Drafting and approval of all statutory advertisement	JMMS, Enam, Kotak, ICICI Securities	JMMS
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	JMMS, Enam, Kotak, ICICI Securities	Kotak
5.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Offer	JMMS, Enam, Kotak, ICICI Securities	Kotak
6.	Preparation of preparatory materials / presentation for Roadshows	JMMS, Enam, Kotak, ICICI Securities	Enam
7.	International institutional marketing strategy • Finalise the list and division of investors for one to one meetings, in consultation with the Company, and • Finalizing the international road show schedule and investor meeting schedules	JMMS, Enam, Kotak, ICICI Securities	Enam

	Activity	Responsibility	Co-ordination
8.	Domestic institutions / banks / mutual funds marketing strategy • Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company, • Finalizing the list and division of investors for one to one meetings, and • Finalizing investor meeting schedules	JMMS, Enam, Kotak, ICICI Securities	ICICI Securities
9.	Non-Institutional and retail marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget, • Finalize media & PR strategy, • Finalizing centers for holding conferences for press and brokers, • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material, and • Finalize collection centers	JMMS, Enam, Kotak, ICICI Securities	Kotak
10.	Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading	JMMS, Enam, Kotak, ICICI Securities	Kotak
11.	Finalization of Pricing, in consultation with the Company	JMMS, Enam, Kotak, ICICI Securities	JMMS
12.	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Issue activities for the Issue involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company	JMMS, Enam, Kotak, ICICI Securities	ICICI Securities

The selection of various agencies including the Registrars to the Issue, Bankers to the Issue, Bank Collection Centres, Domestic and International Legal Advisors, Underwriters to the Issue, Advertising Agencies and Public Relations Agencies will be or have been finalised by the Company in consultation with the BRLMs.

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

IPO Grading

We have not opted for the grading of this Issue.

Trustees

As the Issue is of Equity Shares, the appointment of trustees is not required.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime, including after the Bid/ Issue Closing Date without assigning any reason therefor.

Book Building Process

Book building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date, The principal parties involved in the Book Building Process are:

1. the Company;
2. the Book Running Lead Managers;
3. the Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the stock exchange (s) and eligible to act as underwriters. The BRLMs appoint the Syndicate Members;
4. Escrow Collection Bank(s); and
5. Registrar to the Issue.

In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% book building process with an allocation of at least 60% of the Net Issue size to Qualified Institutional Buyers, with a minimum of two million securities being offered to the public and the minimum Issue size being at least Rs. 1,000 million. Out of the 60% of the Net Issue allocated to Qualified Institutional Buyers on a proportionate basis, 5% shall be available for allocation to Mutual Funds. Also, up to 10% of the Net Issue would be available for allocation to Non-Institutional Bidders and up to 30% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to Qualified Institutional Buyers, the entire application money will be refunded. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLMs to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Under the SEBI Guidelines, Qualified Institutional Buyers are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” on page 287 of this Red Herring Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether the Bidder is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

Bid/Issue Programme

BID/ISSUE OPENS ON	**:**	**MONDAY,**	**NOVEMBER**	**6,**	**2006**
BID/ISSUE CLOSES ON	**:**	**FRIDAY,**	**NOVEMBER**	**10,**	**2006**

Bids and any revisions in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Biding Period/Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. The obligations of the Underwriters are several and are subject to certain conditions for closing, as set forth in the underwriting agreement.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
JM Morgan Stanley Private Limited 141, Maker Chambers III Nariman Point Mumbai 400 021 India Tel: (91 22) 6630 3030 Fax: (91 22) 2204 7185 Email: lanco.ipo@jmmorganstanley.com Web site: www.jmmorganstanley.com Contact Person: Vibhor Kumar / Mayank Jain	[●]	[●]
Enam Financial Consultants Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021 India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email: lanco.ipo@enam.com Website: www.enam.com Contact Person: Ashish Kumbhat	[●]	[●]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460 Fax: (91 22) 2282 6580 Email: lanco_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Vaishnavi Reddy/ Ratnadeep Acharyya	[●]	[●]
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229 Nariman Point Mumbai 400 021 India Tel: (91 22) 6634 1100 Fax: (91 22) 2284 0492 Email: lanco.ipo@kotak.com Web site: www.kotak.com Contact Person: Ajay Vaidya	[●]	[●]
JM Morgan Stanley Financial Services Private Limited Apeejay House, 3, Dinshaw Waccha Road, Churchgate Mumbai 400 021 India Tel: (91 22) 6504 0404 Fax: (91 22) 6630 1694 Email: lanco.ipo@jmmorganstanley.com Web site: www.jmmorganstanley.com Contact Person: Deepak Vaidya	[•]	[•]

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
Enam Securities Private Limited Khatau Building, II Floor, 44B Bank Street, Off Shahid Bhagat Singh Road, Fort Mumbai 400 020, India Email: lanco.ipo@enam.com Web site: www.enam.com Contact Person: M. Natarajan	[●]	[●]
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460 Fax: (91 22) 2282 6580 Email: anil_mokashi@isecltd.com Website: www.icicisecurities.com Contact Person: Anil Mokashi	[●]	[●]
Kotak Securities Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021 Tel. :(91 22) 6634 1100 Fax.: (91 22) 6630 3927 Email: umesh.gupta@kotak.com Website: www.kotak.com Contact Person: Umesh Gupta	[●]	[●]

The Underwriting Agreement is dated [●].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchange (s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to Investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our equity share capital (before and after the Issue), as of the date of filing this Red Herring Prospectus with SEBI, is set out below:

		Aggregate Value at nominal value (In Rs.)	Aggregate Value at Issue Price (In Rs.)
A)	**AUTHORISED SHARE CAPITAL**		
	250,000,000 Equity Shares	2,500,000,000	-
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**		
	177,889,524 Equity Shares	1,778,895,240	-
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS(1)**		
	44,472,381 Equity Shares	444,723,810	[●]
D)	**EMPLOYEE RESERVATION PORTION**		
	500,000 Equity Shares	5,000,000	[●]
E)	**NET ISSUE TO THE PUBLIC**		
	43,972,381 Equity Shares	439,723,810	[●]
F)	**EQUITY CAPITAL AFTER THE ISSUE**		
	222,361,905 Equity Shares	2,223,619,050	
G)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	505,269,490	
	After the Issue	-	[●]

(1) Our Board of Directors authorised a fresh issue of Equity Shares up to an amount of Rs. 30,000 million pursuant to a resolution passed at its meeting held on April 24, 2006. Our shareholders subsequently authorised the fresh issue of Equity Shares up to an amount of Rs. 30,000 million by a resolution passed unanimously at the EGM of our Company held on May 18, 2006. The IPO Committee authorised the Issue of 44,472,381 Equity Shares pursuant to its resolution held on July 31, 2006.

Changes in the Authorised Share Capital of the Company since Incorporation:

S.No.	Particulars of Increase	Date of Shareholders Meeting
1.	Rs. 1,000,000 to Rs. 20,000,000	October 25, 1993
2.	Rs. 20,000,000 to Rs. 60,000,000	July 1, 1996
3.	Rs. 60,000,000 to Rs. 80,000,000	July 9, 1998
4.	Rs. 80,000,000 to Rs. 105,000,000	October 27, 2000
5.	Rs. 105,000,000 to Rs.105,500,000	February 15, 2001
6.	Rs. 105,500,000 to Rs. 750,000,000	March 9, 2006
7.	Rs. 750,000,000 to Rs. 2,500,000,000*	July 30, 2006

* *The Company consolidated the face value of its Equity Shares from Rs. 5 to Rs. 10 per Equity Share after obtaining necessary approval from its shareholders at an Extraordinary General Meeting held on July 30, 2006.*

Notes to Capital Structure

1. Share Capital History of our Company

The following is the history of the equity share capital of our Company through the date of this Red Herring Prospectus:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of Consideration	Nature/ Reasons for Allotment	Cumulative Paid-up Capital (Rs.)
March 26, 1993	1,350	10	10	Cash	Initial Subscribers to the Memorandum	13,500
March 13, 1995	990,050	10	10	Cash	Further allotment to various persons	9,914,000
November 5, 1996	76,660	10	10	Cash	Further allotment to various persons	10,680,600
November 15, 1996	32,500	10	10	Cash	Further allotment to various persons	11,005,600
February 1, 1999	5,321,345	10	62	Cash	Further allotment to various persons	64,219,050
February 22, 2000	1,070,317	10	-	Bonus Issue	Bonus issue 1:6 to the existing shareholders	74,922,220
February 15, 2001	200,000	10	10	Cash	Further allotment	76,922,220
March 24, 2006	23,076,666	10	-	Bonus Issue	Bonus issue of 3:1 to the existing shareholders	307,688,880
April 24, 2006	15,384,444	10	-	Bonus Issue	Bonus Issue 1:2 to the existing shareholders	461,533,320
June 7, 2006	10,637,144	10	180	Cash	Fresh allotment	567,904,760
June 7, 2006	113,580,952	5	-	-	Split of equity shares of the Company from Rs. 10 to Rs. 5	567,904,760
June 16, 2006	5,012,064	5	5	Cash	Allotment to the ESOS Trust pursuant to the ESOS	592,965,080
July 30, 2006	59,296,508	10	-	-	Consolidation of our share capital resulting in increase in face value of our Equity Share from Rs. 5 to Rs. 10	592,965,080
July 30, 2006	118,593,016	10	-	Bonus issue	Bonus issue of 2:1 to the existing shareholders	1,778,895,240

2. Promoter Contribution and Lock-in

All Equity Shares which are being locked in are eligible for computation of Promoter's contribution and lock in under clause 4.6 of the SEBI Guidelines.

(a) Details of Promoters Contribution locked in for three years:

Name of the Promoter	Date of Allotment / Acquisition	Date when Shares made fully paid up	Consideration	No. of Shares	Face Value	Issue Price	Percentage of post Equity Capital	Lock In period
Prince Stone	July 30, 2006	July 30, 2006	Bonus Issue	44,472,381	Rs.10	-	20.00	3 years

The contribution, as indicated hereinabove, by Prince Stone, being the Promoter of the Company determined in accordance with SEBI Guidelines, has been brought in to the extent of not less than the specified minimum lot as stipulated in accordance with the SEBI Guidelines.

Indicated below is the capital built-up of the Promoters' shareholding in the Company:

S. No.	Name of the Promoters	Date of Allotment/ Transfer	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made Fully Paid-up	Nature of payment of Consideration	Percentage of post Issue paid up capital	Lock-in Period (Years)
1	**Prince Stone**[§]	March 29, 2005	6,208,235	10	62	March 29, 2005	Transfer	2.79%	1
		March 24, 2006	18,624,705	10	-	March 24, 2006	Bonus	8.38%	1
		April 24, 2006	12,416,470	10	-	April 24, 2006	Bonus	5.58%	1
		June 7, 2006	74,498,820	5	-	June 7, 2006	Split	16.75%[(1)]	1
		July 30, 2006	37,249,410	10	-	July 30, 2006	Reconsolidation of Shares	16.75%	1
		July 30, 2006	74,498,820	10	-	July 30, 2006	Bonus	16.75%	3*
		Total	**111,748,230**					**50.26%**	
2	**Lanco Group Limited**	June 7, 2006	10,637,144	10	180	June 7, 2006	Cash	4.78%	1
		June 7, 2006	21,274,288	5	-	June 7, 2006	Split	4.78%[(1)]	1
		July 30, 2006	10,637,144	10	-	July 30, 2006	Reconsolidation of Shares	4.78%	1
		July 30, 2006	21,274,288	10	-	July 30, 2006	Bonus	9.57%	1
		Total	**31,911,432**					**14.35%**	
3	**G. Bhaskara Rao**	March 26, 1993	150	10	10	March 26, 1993	Subscribers to the MoA	0.00%	1
		March 13, 1995	39,850	10	10	March 13, 1995	Cash	0.02%	1
		November 05, 1996	150,300	10	10	November 05, 1996	Cash	0.07%	1
		August 05, 1997	25,000	10	10	Transfer		0.01%	1
		December 06, 1997	14,000	10	10	Transfer		0.01%	1
		February 22, 2000	38,216	10	-	February 22, 2000	Bonus	0.02%	1
		October 31, 2000	29,865	10	10	Transfer	Cash	0.01%	1
		August 17, 2002	19,599	10	12	Transfer		0.01%	1
		March 24, 2006	950,940	10	-	March 24, 2006	Bonus	0.43%	1
		April 24, 2006	633,960	10	-	April 24, 2006	Bonus	0.29%	1
		June 7, 2006	3,803,760	5	-	June 7, 2006	Split	0.86%[(1)]	1
		July 30, 2006	1,901,880	10	-	July 30, 2006	Reconsolidation of Shares	0.86%	1
		July 30, 2006	3,803,760	10	-	July 30, 2006	Bonus	1.71%	1
		Total	**5,705,640**					**2.57%**	
4	**L. Madhusudhan Rao**	March 26, 1993	150	10	10	March 26, 1993	Subscribers to the MoA	0.00%	1
		March 13, 1995	39,850	10	10	March 13, 1995	Cash	0.02%	1
		December 07, 1996	117,500	10	10	Transfer	Cash	0.05%	1
		August 05, 1997	17,500	10	10	Transfer	Cash	0.01%	1
		December 06, 1997	53,360	10	10	Transfer	Cash	0.02%	1
		February 22, 2000	38,060	10	-	February 22, 2000	Bonus	0.02%	1

S No.	Name of the Promoters	Date of Allotment/ Transfer	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made Fully Paid-up	Nature of payment of Consideration	Percentage of post Issue paid-up capital	Lock-in Period (Years)
		August 17, 2002	14,990	10	10	Transfer		0.01%	1
		August 17, 2002	4,900	10	12	Transfer		0.00%	1
		November 29, 2003	18,000	10	15	Transfer		0.01%	1
		March 24, 2006	912,930	10	-	March 24, 2006	Bonus	0.41%	1
		April 24, 2006	608,620	10	-	April 24, 2006	Bonus	0.27%	1
		June 7, 2006	3,651,720	5	-	June 7, 2006	Split	0.82%(1)	1
		July 30, 2006	1,825,860	10	-	July 30, 2006	Reconsolidation of Shares	0.82%	1
		July 30, 2006	3,651,720	10	-	July 30, 2006	Bonus	1.64%	1
		Total	**5,477,580**					**2.46%**	
5	**L. Sridhar**	March 26, 1993	150	10	10	March 26, 1993	Subscribers to the MoA	0.00%	1
		March 13, 1995	39,850	10	10	March 13, 1995	Cash	0.02%	1
		November 5, 1996	70,000	10	10	November 5, 1996	Cash	0.03%	1
		December 7, 1996	56,500	10	10	Transfer	Cash	0.03%	1
		August 05, 1997	17,700	10	10	Transfer	Cash	0.01%	1
		December 6, 1997	44,100	10	10	Transfer	Cash	0.02%	1
		February 22, 2000	38,050	10	-	February 22, 2000	Bonus	0.02%	1
		August 17, 2002	18,898	10	12	Transfer		0.01%	1
		August 17, 2002	18,666	10	15	Transfer		0.01%	1
		March 24, 2006	911,742	10	-	March 24, 2006	Bonus	0.41%	1
		April 24, 2006	607,828	10	-	April 24, 2006	Bonus	0.27%	1
		June 7, 2006	3,646,968	5	-	June 7, 2006	Split	0.82%(1)	1
		June 21, 2006	120	5	5	June 21, 2006	Transfer	0.00%	1
		July 30, 2006	1,823,544	10	-	July 30, 2006	Reconsolidation of Shares	0.82%	1
		July 30, 2006	3,647,088	10	-	July 30, 2006	Bonus	1.64%	1
		Total	**5,470,632**					**2.46%**	

§ On March 29, 2005, Prince Stone acquired 6,208,235 Equity Shares from Third Millennium at a price of Rs. 62 per Equity Share through its resolution dated March 29, 2005.

Of this only 44,472,381 Equity Shares would be locked-in for 3 years and the balance would be locked in for 1 year.

Note: (1) While calculating the percentage of Post Issue Capital we have adjusted the percentage for split of equity shares as aforementioned

Indicated below is the capital built-up of the Promoters' Group shareholding in the Company:

S No.	Name	Date of Allotment/ Transfer	No. of Shares	Face Value per share (Rs.)	Issue Price per share (Rs.)	Date when made Fully Paid Up	Nature of payment of Consideration	Percent-age of post Issue capital	Lock-in Period (Years)
1	**L. Rajagopal**	March 26, 1993	150	10	10	March 26, 1993	Subscriber to MOA	0.00%	1
		March 13, 1995	39,850	10	10	March 13, 1995	Cash	0.02%	1
		December 7, 1996	63,500	10	10	Transfer	Cash	0.03%	1
		August 5, 1997	91,400	10	10	Transfer	Cash	0.04%	1
		December 6, 1997	45,700	10	10	Transfer	Cash	0.02%	1
		February 22, 2000	40,100	10	-	February 22, 2000	Bonus	0.02%	1
		August 17, 2002	14,000	10	12	Transfer	Cash	0.01%	1
		November 29, 2003	10,000	10	15	Transfer	Cash	0.00%	1
		March 24, 2006	914,100	10	-	March 24, 2006	Bonus	0.41%	1
		April 24, 2006	609,400	10	-	April 24, 2006	Bonus	0.27%	1
		June 7, 2006	3,656,400	5	-	June 7, 2006	Split	0.82%(1)	1
		July 30, 2006	1,828,200	10	-	July 30, 2006	Reconsolidation of shares	0.82%	1
		July 30, 2006	3,656,400	10	-	July 30, 2006	Bonus	1.64%	1
		Total	**5,484,600**					**2.47%**	
2	**L. Padma**	March 26, 1993	150	10	10	March 26, 1993	Subscriber to MOA	0.00%	1
		February 22, 2000	25	10	-	February 22, 2000	Bonus	0.00%	1
		March 24, 2006	525	10	-	March 24, 2006	Bonus	0.00%	1
		April 24, 2006	350	10	-	April 24, 2006	Bonus	0.00%	1
		June 7, 2006	2,100	5	-	June 7, 2006	Split	0.00%(1)	1
		July 30, 2006	1,050	10	-	July 30, 2006	Reconsolidation of shares	0.00%	1
		July 30, 2006	2,100	10	-	July 30, 2006	Bonus	0.00%	1
		Total	**3,150**					**0.00%**	
3	**G. Padmavathi**	March 26, 1993	150	10	10	March 26, 1993	Subscriber to MOA	0.00%	1
		December 7, 1996	4,600	10	10	Transfer	Cash	0.00%	1
		December 6, 1997	12,300	10	10	Transfer	Cash	0.01%	1
		February 22, 2000	2,841	10	-	February 22, 2000	Bonus	0.00%	1
		March 24, 2006	59,673	10	-	March 24, 2006	Bonus	0.03%	1
		April 24, 2006	39,782	10	-	April 24, 2006	Bonus	0.02%	1
		June 7, 2006	238,692	5	-	June 7, 2006	Split	0.05%(1)	1
		July 30, 2006	119,346	10	-	July 30, 2006	Reconsolidation of shares	0.05%	1
		July 30, 2006	238,692	10	-	July 30, 2006	Bonus	0.11%	1
		Total	**358,038**					**0.16%**	

S No.	Name of the Promoters	Date of Allotment/ Transfer	No. of Shares	Face Value per share (Rs.)	Issue Price per share (Rs.)	Date when made Fully Paid Up	Nature of payment of Consideration	Percent-age of post Issue capital	Lock-in Period (Years)
4	**L.Venkata Ramanaidu**	March 26, 1993	150	10	10	March 26, 1993	Subscriber to MOA	0.00%	1
		December 7, 1996	7,500	10	10	Transfer	Cash	0.00%	1
		December 6, 1997	7,600	10	10	Transfer	Cash	0.00%	1
		February 22, 2000	2,541	10	-	February 22, 2000	Bonus	0.00%	1
		March 24, 2006	53,373	10	-	March 24, 2006	Bonus	0.02%	1
		April 24, 2006	35,582	10	-	April 24, 2006	Bonus	0.02%	1
		June 7, 2006	213,492	5	-	June 7, 2006	Split	0.05%(1)	1
		July 30, 2006	106,746	10	-	July 30, 2006	Reconsolidation of shares	0.05%	1
		July 30, 2006	213,492	10	-	July 30, 2006	Bonus	0.10%	1
		Total	**320,238**					**0.14%**	
5	**L. Rama Lakshmamma**	March 26, 1993	150	10	10	March 26, 1993	Subscriber to MOA	0.00%	1
		December 7, 1996	4,900	10	10	Transfer	Cash	0.00%	1
		December 6, 1997	3,850	10	10	Transfer	Cash	0.00%	1
		February 22, 2000	1,483	10	-	February 22, 2000	Bonus	0.00%	1
		February 15, 2002	5,833	10	-	-	Transmission	0.00%	1
		March 24, 2006	48,648	10	-	March 24, 2006	Bonus	0.02%	1
		April 24, 2006	32,432	10	-	April 24, 2006	Bonus	0.01%	1
		June 7, 2006	194,592	5	-	June 7, 2006	Split	0.04%(1)	1
		July 30, 2006	97,296	10	-	July 30, 2006	Reconsolidation of shares	0.04%	1
		July 30, 2006	194,592	10	-	July 30, 2006	Bonus	0.09%	1
		Total	**291,888**					**0.13%**	

Note: (1) While calculating the percentage of Post Issue Capital we have adjusted the percentage for split of equity shares as of rementioned

(b) Details of share capital locked in for one year:

In addition to the lock-in of the Promoter's contribution specified above, the entire pre-Issue Equity Share capital, comprising 177,889,524 Equity Shares of the Company shall be locked in for a period of one year from the date of Allotment of Equity Shares in this Issue.

In accordance with Clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoters, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the equity shares is one of the terms of the sanction of the loan.

In accordance with Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and among the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In accordance with Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable, subject to compliance with the SEBI Guidelines including the provisions for lock-in, as amended from time to time.

3. The list of our top shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them as of the date of filing this Red Herring Prospectus with SEBI:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Prince Stone	111,748,230	62.82
2.	LGL	31,911,432	17.94
3.	The ESOS Trust	11,118,096	6.25
4.	G. Bhaskara Rao	5,705,640	3.21
5.	L. Rajagopal	5,484,600	3.08
6.	L. Madhusudhan Rao	5,477,580	3.08
7.	L. Sridhar	5,470,632	3.08
8.	G. Padmavathi	358,038	0.20
9.	L. Venkata Ramanaidu	320,238	0.18
10.	L. Rama Lakshamamma	291,888	0.16
	Total	**177,886, 374**	**99.99**

(b) Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them ten days prior to the date of filing this Red Herring Prospectus with SEBI is as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Prince Stone	111,748,230	62.82
2.	LGL	31,911,432	17.94
3.	The ESOS Trust	11,118,096	6.25
4.	G. Bhaskara Rao	5,705,640	3.21
5.	L. Rajagopal	5,484,600	3.08
6.	L. Madhusudhan Rao	5,477,580	3.08
7.	L. Sridhar	5,470,632	3.08
8.	G. Padmavathi	358,038	0.20
9.	L. Venkata Ramanaidu	320,238	0.18
10.	L. Rama Lakshamamma	291,888	0.16
	Total	**177,886, 374**	**99.99**

(c) Our top ten shareholders and the number of equity shares held by them two years prior to the date of filing this Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
1.	Third Millennium Investment Limited	6,208,235	80.71
2.	G. Bhaskara Rao	316,980	4.12
3.	L. Rajagopal	304,700	3.96
4.	L. Madhusudhan Rao	304,310	3.96
5.	L. Sridhar	303,914	3.95
6.	LCL Foundation – ESOP Trust	200,000	2.60
7.	G. Padmavathi	19,891	0.26
8.	L. Venkata Ramanaidu	17,791	0.23
9.	L. Rama Lakshamamma	16,216	0.21
10.	L. Padma	175	0.00
	Total	**7,692,212**	**99.99**

4. As on the date of this Red Herring Prospectus, the shareholding pattern of our Company before and as adjusted for the Issue is as follows:

	Equity Shares owned prior to the Issue		**Equity Shares owned after the Issue[(1)]**	
Shareholder Category	**Number**	**%**	**Number**	**%**
Promoters and Promoter Group				
Promoters[(3)]				
- Prince Stone[(2)]	111,748,230	62.82	111,748,230	50.26
- LGL[(2)]	31,911,432	17.94	31,911,432	14.35
- G. Bhaskara Rao	5,705,640	3.21	5,705,640	2.57
- L. Madhusudhan Rao	5,477,580	3.08	5,477,580	2.46
- L. Sridhar	5,470,632	3.08	5,470,632	2.46
Promoter Group				
- L. Rajagopal	5,484,600	3.08	5,484,600	2.47
- G. Padmavathi	358,038	0.20	358,038	0.16
- L. Venkata Ramanaidu	320,238	0.18	320,238	0.14
- L. Rama Lakshamamma	291,888	0.16	291,888	0.13
- L. Padma	3,150	0.00	3,150	0.00
Sub Total (A)	**166,771,428**	**93.75**	**166,771,428**	**75.00**
Non-Promoter holding (Institutional Investors)	NIL	0.00	-	-
Mutual Funds (including Unit Trust of India)	NIL	0.00	-	-
Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/Non Government Institutions)	NIL	0.00	-	-
Sub Total (B)	**NIL**	**0.00**	**-**	**-**
Others	NIL	0.00	NIL	0.00
ESOS	11,118,096	6.25	11,118,096	5.00
Private Corporate Bodies	NIL	0.00	-	-

	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue[(1)]	
Shareholder Category	**Number**	**%**	**Number**	**%**
Indian Public	NIL	0.00	-	-
Trade Unions / Trusts / Clearing Members / HUFs	NIL	0.00	-	-
Sub Total (C)	**11,118,096**	**6.25**	**11,118,096**	**5.00**
Total pre Issue share capital (D=A+B+C)	**177,889,524**	**100.00**	**177,889,524**	**80.00**
Public Issue (E)			**44,472,381**	**20.00**
Total post-Issue share capital (F=D+E)			**222,361,905**	**100.00**

(1) The break down of the Equity Shares to be allotted pursuant to the Issue is not included.

(2) For details of the shareholding pattern, board of directors and financials of Prince Stone and LGL, please see "Our Promoters- Body Corporates" on page 146 of this Red Herring Prospectus, respectively.

(3) For an illustration of the Promoters' holding in the Company, please see "Our Promoters" on page 146 of this Red Herring Prospectus.

5. None of our Directors or Key Managerial Personnel hold Equity Shares of the Company, other than as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding
1.	G. Bhaskara Rao	5,705,640	3.21
2.	L. Madhusudhan Rao	5,477,580	3.08
3.	L. Sridhar	5,470,632	3.08

Also, certain of our Key Managerial Personnel have been issued options convertible into our Equity Shares under our ESOS, further details of which are provided under Note 21 to the section titled "Capital Structure – Notes to Capital Structure" on page 17 of this Red Herring Prospectus.

6. Our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.

7. Other than set out in Note 1 to the section titled "Capital Structure- Notes to Capital Structure" beginning on page 17 of this Red Herring Prospectus, our Promoters have not been issued Equity Shares for consideration other than cash.

8. There have been no transfers of Equity Shares by the Promoter and the Promoter Group within the six months prior to the date of the Red Herring Prospectus.

   Not less than 60% of the Net Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds subject to valid Bids being received at or above the Issue Price. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of the Company and the BRLMs. The Issue includes the Employee Reservation Portion of up to 500,000 Equity Shares which are available for allocation to Eligible Employees.

9. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

10. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

11. We have not raised any bridge loan against the proceeds of the Issue.

12. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion, on a competitive basis. The Bid/ Application by Eligible Employees can also be made in the "Net Issue" and such Bids shall not be treated as multiple Bids.

13. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

14. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
15. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of allocation.
16. The Equity Shares that would be allotted pursuant to the Issue would be fully paid up at the time of Allotment, failing which no Allotment of the same shall be made.
17. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company and is in accordance with the terms of the Underwriting Agreement.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. We had established the ESOS Trust in 2001 and allotted 200,000 Equity Shares. The ESOS Trust was established with the intention of creating an employee stock option plan. However, no options were granted by the ESOS Trust and on account of the bonus issues, the shares split and the share consolidation by the Company (for further details, please refer to Note 1 to the section titled “Capital Structure – Notes to Capital Structure” on page 17 of this Red Herring Prospectus), the ESOS Trust held 2,400,000 Equity Shares as of June 7, 2006. Thereafter, on June 7, 2006, our shareholders approved our ESOS to be implemented through the ESOP Trust. In accordance therewith, a further allotment of 5,012,064 equity shares of Rs. 5 was made to the ESOS Trust. On June 26, 2006, 99,600 options were granted to identified employees which entitled them to acquire Equity Shares at Rs. 3.65 per Equity Share at future dates. Following the consolidation of our share capital on July 30, 2006 and the subsequent bonus issue on the same date, the ESOS Trust now holds 11,118,096 Equity Shares and 149,400 options thereof stand granted which entitles the said employees to acquire the Equity Shares at a price of Rs. 2.43 per Equity Share at a future date.

    Our ESOS will be administered by our compensation committee, which shall determine the terms and conditions of the stock options granted from time to time. Under our ESOS, employees means all present and future permanent employees of our Company or Subsidiaries and all present and future directors of our Company or subsidiary unless prohibited from participating in the ESOS under any law or regulations.

Particulars and Options Granted		
1.	Options granted	149,400
2.	Exercise Price	Rs. 2.43
3.	Options vested	0
4.	Options exercised	0
5.	The total number of Equity Shares arising as a result of full exercise of options already granted	149,400
6.	Options lapsed	0
7.	Variation of terms of options	0
8.	Money realized by exercise of options	Nil
9.	Total number of options in force	149,400
10.	Person-wise details of options granted to:	
	i) Directors and key managerial employees (including identified employees of the Subsidiaries)	6,300
	ii) any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	0

Particulars and Options Granted		
	iii) identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	0
11.	Difference, if any, between employee compensation costs (calculated using the intrinsic value of the stock options) and the employee compensation costs (calculated on the fair value of the options)	N.A
12.	Impact of this difference on our Profits and EPS	N.A
13.	Weighted average exercise price of options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A
14.	Weighted average exercise price and weighted average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A
15.	Impact on the profits and EPS, if the Company had followed the accounting policies specified in Clause 13 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999	N.A
16.	Vesting Schedule (from the date of grant)	20% at the end of first year 20% at the end of second year 20% at the end of third year 20% at the end of fourth year 20% at the end of fifth year

	Name of Director/ Key Managerial Personnel	No. of shares to be allotted under ESOS
1.	G. Venkatesh Babu	450
2.	J. Suresh Kumar	450
3.	D.N. Reddy	450
4.	Dr. Govind Sachdev	450
5.	S. Pochendar	450
6.	Pradeep Kumar Lenka	450
7.	P. Panduranga Rao	450
8.	K. Rajagopal	450
9.	D.V. Rao	450
10.	M. N. Ravi Shankar	450
11.	K.K.V. Nagaprasad	450
12.	Shishir Kant	450
13.	V.P.S. Chauhan	450
14.	V. Srinivas	450

None of options granted under our ESOS would vest within three months after the date of listing of our Equity Shares.

21. As of the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 11.
22. The Company or the Promoters shall not make any payments direct or indirect, discounts, commission allowances or otherwise under this Issue.

OBJECTS OF THE ISSUE

The objectives of the Issue are:

- ***Investment in various Subsidiaries***

  We are an infrastructure company with interests in power generation and power trading, construction and property development. Except for our infrastructure construction business, which is directly carried out by the Company, we operate other businesses through our Subsidiaries involved in the power and the property development businesses. We are currently executing a number of projects in the power and property development businesses, which are at various stages of development.

  We intend to use part of the Issue proceeds to capitalize the following Subsidiaries which are at various stages of development:

  - LAPPL - Lanco Amarkantak Power Plant
  - LGPPL - Budhil Power Project
  - VIPL - Vamshi Industrial Power Project
  - VHEPL - Vamshi Hydro Power Project
  - Lanco Hills - Hyderabad Property Project

- ***Investment in Nagarjuna Power Project***
- ***Payment for acquisition of 13.3% equity stake in Aban Power to Aban Ventures***
- ***Payment for acquisition of 25.1% equity stake in Lanco Kondapalli to Globeleq***
- ***General corporate purposes***
- ***To achieve benefits from listing of Equity Shares***

The net proceeds of the Issue, after deducting Issue related expenses, are estimated to be Rs. [●] million.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The project cost and funding requirements for Lanco Amarkantak has been appraised by PFC, for Lanco Green has been appraised by ICICI Bank, for Vamshi Industrial and Vamshi Hydro have been appraised by the State Bank of India, for Lanco Hills has been appraised by the Punjab National Bank and for Nagarjuna Power Project by PFC.

The details of proceeds of the Issue are summarized in the following table:

(Rs. in million)

Gross proceeds of the Issue	[●]
Issue related expenses	[●]
Net proceeds of the Issue	[●]

The intended use of proceeds of the Issue is summarised in table below:

(Rs.in million)

Project/Activity	**Amount**
Investment in Subsidiaries	
• LAPPL - Lanco Amarkantak Power Plant	2,557
• LGPPL - Budhil Power Project	399
• VIPL - Vamshi Industrial Power Project	71
• VHEPL - Vamshi Hydro Power Project	68
• Lanco Hills - Hyderabad Property Project	281
Investment in Nagarjuna Power Project	6,423
Payment for acquisition of 13.3% equity interest in Aban Power to Aban Ventures	350
Acquisition of 25.1% equity interest in Lanco Kondapalli to Globeleq: USD 30 million(1)	1,395
General Corporate Purposes (2)	[●]
Issue expenses (2)	[●]
Total	[●]

Note:

(1) *The consideration to be paid is in US Dollars, and for convenience purposes only has been converted in Rupees at USD 1 = Rs. 46.49. In addition interest is payable from payment date till the date of actual payment of consideration.*

(2) *Amount for general corporate purposes and Issue expenses will be decided after the finalization of the issue size*

Any shortfall in the Objects of the Issue and the Gross Issue proceeds would be met through Cash and Bank balance amounting to Rs. 886.22 million (as per consolidated accounts), liquidation of liquid investments of Rs. 146.99 million as at June 30, 2006. Further, one of our Promoters, namely Lanco Group Limited has given an undertaking that they will give or arrange interest free unsecured loans to the Company to meet any further shortfall of funds. These unsecured loans would be available to us till the time alternative arrangements are made or till we would have generated sufficient internal accruals to meet the gap in the means of finance. The undertaking was approved by the Board of Directors of Lanco Group Limited at its board meeting held on October 21, 2006.

The fund requirement in the table above is based on our current business plan. In view of the dynamic and competitive environment of the industries in which we operate, we may have to revise our business plan from time to time and consequently our capital requirements may also change. This may include rescheduling of our capital expenditure programs, increase or decrease in the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of our management and requirements that may arise on account of new acquisitions, mergers and winning of various projects that we have either bid for or in the process of bidding. In case of any increase in the actual utilization of funds earmarked for the above activities, such additional fund for a particular activity will be met from a combination of internal accruals, additional equity or debt infusion. If the actual utilization towards any of the aforesaid objectives is lower than what is stated above, such balance will be used for future growth opportunities and general corporate purposes. In the event any surplus is left out of the Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used for general corporate purposes including for meeting future growth opportunities.

The year-wise break down of the funds deployed is as under:

(Rs. in million)

Name of the company	**Invested until March 31, 2006**	**Invested from April 06 to Sep 06**	**Invested upto Sep 06**	**Our share of investment required**				**Our share of total Investment required**	**Our share of total fund requirement**
				2006-07	**2007-08**	**2008-09**	**2009-10**		
Lanco Amarkantak									
unit-I	376.20*	397.84	774	980	210	-	-	1,190	1,964
unit-II	10	660.00	670	-	1,018	349	-	1,367	2,037
Lanco Green	323**	32.00	355	148	251	-	-	399	754
Vamshi Industrial	73		73	1	70	-	-	71	144
Vamshi Hydro	71		71	1	67	-	-	68	139
Lanco Hills	144***	499.50	643.50	281	-	-	-	281	925
Nagarjuna Power Project	-			1,927	1,927	1,927	642	6,423	6,423
Total	997.20	1,589.34	2,586.50	3,338	3,543	2,276	642	9,799	12,386

* Excludes an amount of Rs. 375.9 Millions invested by IPV, Rs. 10.950 Millions invested by TMIL and Rs. 10.950 Million invested by Century Investments, all prior to reorganisation, and post re-organisation acquired by LITL during the period April 2006 to September 2006

** Includes Rs. 69.50 Millions of share application money subscribed to as on March 31, 2006.

*** Share application money subscribed to as on March 31, 2006.

Deployment of funds on the Projects

As per the certificate of M/s Price Waterhouse, Chartered Accountants, dated October 8, 2006 the funds deployed on the activities described in the objects of the Issue and their means of finance as on September 30, 2006 are provided below:

(Rs. in Millions)

Project/Activity	**Amounts**
Equity Investment/Share Application Money in Special Purpose Vehicles	
• Investment in Lanco Green Power Private Limited	32.00
• Investment in Lanco Hills Technology Park Private Limited	310.00
• Investment in Lanco Amarkantak Power Private Limited	1,057.84
• Application Money in Lanco Hills Technology Park Private Limited	189.50
Total Funds Deployed	**1,589.34**

Means of Finance

(Rs. in Millions)

Particulars	**Amounts**
Equity Subscription by Lanco Group Limited	1,557.34
Internal Accruals	32.00
Total	**1,589.34**

Detailed Use of Proceeds

Investment in various Subsidiaries

We plan to invest Rs. and [•] million of the net proceeds of the Issue in certain of our Subsidiaries, as specified hereunder:

1. Investment in LAPPL

The Company currently owns 87.27% equity of Lanco Amarkantak. It has entered into definitive agreements with DEG and KVK whereby the shareholding of the Company in LAPPL would stand at 76%, for further details please refer to the section titled "History and Corporate Structure – Shareholders and JV Agreements" on page 123 of the Red Herring Prospectus.

Lanco Amarkantak is implementing the coal based Lanco Amarkantak Power Plant in two phases of 300 MW each. The total capital contribution for Lanco Amarkantak (Unit I and Unit II) by the Company is estimated at Rs. 5,264 million, of which our contribution is about Rs. 4,001 million, of which we have already invested Rs. 1,444 million till September 30, 2006. The balance capital contribution proposed to be funded through the net proceeds of the Issue for the two phases is as under:

(Rs. in Million)

	Unit I	**Unit II**	**Total**
Total Fund requirement for the Project	1,964	2,037	4,001
Amount Invested till September 30, 2006	774	670	1,444
Balance to be funded from Issue Proceeds	**1,190**	**1,367**	**2,557**

The capital invested by us for acquisition of share capital will be utilized by Lanco Amarkantak for setting up of two 300 MW power plants. We intend to invest these funds in the project in accordance with the schedule as detailed in the table above, relating to the year-wise break down of the funds deployed.

The Lanco Amarkantak Power Plant has been appraised by PFC which is also the lead financial institution under the credit facility agreements. The total cost of setting up Unit I is estimated at a cost of Rs. 12,919 million and Unit II is estimated at Rs. 13,400 million being financed with a debt to equity ratio of 4:1. The financial closure for Unit I has been achieved in September 2005 and construction started on October 2005. The financing documents for Unit II are under execution. For more details on Lanco Amarkantak, please refer to "Our Business – Our Power Business – Lanco Amarkantak Power Project" section on page 70 of the Red Herring Prospectus.

The detailed break down of project cost for Unit I and Unit II of the Lanco Amarkantak Power Plant as per the appraised report by PFC and financial closure notes are as follows:

(Rs. in million)

Cost Head	Unit-I	Unit-II
Land and Land Development	418	320
EPC Contract	9,750	10,050
Non EPC Works	790	720
Design Engineering & Construction Supervision	151	125
Tools & Plants	33	20
Pre-operative & Establishment Charges	141	160
Preliminary Expenses	28	25
Training of O&M Staff	11	12
Start up fuel	-	110
Physical Contingency	57	111
Working Capital Margin	254	242
Upfront Fees	64	65
Financing Charges	53	52
IDC	1,169	1,388
Total Cost	**12,919**	**13,400**

Lanco Amarkantak has entered the following EPC contracts aggregating to Rs. 9,750 million for unit –I and Rs. 10,050 million for unit-II.

Contract	Status : Order placed	Expected value	Expected date of Delivery
Unit – I • Contract for Civil and Construction Works with Zelan Constructions (India) Private Limited • Contract for engineering, transportation, erection, testing and commissioning with ZPPL • Contract for supply (Ex-works Indian factory) with ZPPL. • Contract for supply (C.I.F.) with ZPPL	Yes	Aggregating to Rs. 9,750 millions	Within 33 months from the date of Notice to Proceed (NTP). The NTP for Unit 1 is October 1st 2005.
Unit – II • Contract for Civil and Construction Works with Zelan Constructions (India) Private Limited • Contract for engineering, transportation, erection, testing and commissioning with ZPPL Contract for supply (Ex-works Indian factory) with ZPPL. • Contract for supply (C.I.F.) with ZPPL	Yes	Aggregating to Rs. 10,050 Millions	Within 33 months from the date of Notice to Proceed (NTP). NTP for Unit II is August 1st 2006.

Lanco Amarkantak has entered into land lease agreement for 99 years with Chhattisgarh State Industrial Development Corporation for the land aggregating to 506 Acres.

2. Investment in Lanco Green

We own 99.9% equity of Lanco Green. We propose to own 90%, while the balance will be held by SMEC Holdings Limited in terms of the Implementation Agreement in relation to the Lanco Green Power Project.

Lanco Green is implementing a 70 MW (2 x 35 MW) hydro based power plant across Budhil Nallah in Chamba District, Himachal Pradesh. The total capital contribution for Lanco Green by us is estimated at Rs. 754 million of which Rs. 355 million has already been invested till September 30, 2006. The balance capital contribution proposed to be funded through the net proceeds of the Issue is as under:

(Rs. in million)

	Total
Total Fund requirement for the Project	754
Amount Invested till September 30, 2006	355
Balance to be funded from Issue Proceeds	399

The capital invested by us will be utilized by Lanco Green for setting up its power project. We intend to invest these funds in the project in accordance with the schedule as detailed in the table above, relating to the year-wise break down of the funds deployed.

The Lanco Green Power Project has been appraised by ICICI Bank Limited. The cost of setting up the 70 MW power plant is estimated at Rs. 4,190 million and is proposed to be financed at a debt to equity ratio of 4:1. For more details on Lanco Green, please refer to the section titled "Our Business – Our Power Business – Lanco Green Power Project" on page 78 of the Red Herring Prospectus.

The detailed break down of project cost as appraised by ICICI Bank Limited is as follows:

(Rs. in million)

Item	**Total**
Land	50
Building and civil works	2,133
Plant and machinery	1,099
Design, engineering and construction supervision	42
Financing cost and interest during construction	491
Preoperative and preliminary expenses	137
Margin money for working capital	38
Contingency	200
Total Project Cost	**4,190**

Contract for Equipment Supply

Name of the contract	**Status : Order placed**	**Expected value**	**Expected date of Delivery**
• Contract for supply of Generator units with Dongfang Electric Corporation (DEC) of China	Yes	US$ 6.63 Million (CIF)	To be delivered within 24 months from the date of payment of advance.
• Contract for supply of Balance of Plant for Electro Mechanical Equipments with Lanco Infratech Limited	Yes	Rs.410.4 million	By December 2007

Advance for acquisition of land has been paid to the vendors and formal registration is pending with relevant authorities.

3. **Investment in Vamshi Industrial**

LHPVL (our 91.1% owned subsidiary) owns 99.6% equity of VIPL.

Vamshi Industrial is setting up two 5 MW hydroelectric power plants in Upper Khauli Power Project and the Drinidhar Power Project in Kangra district, Himachal Pradesh. The capital contribution for Vamshi Industrial by us is estimated to be at Rs. 144 million, of which we have already invested Rs. 73 million till September 30, 2006. The balance capital contribution proposed to be funded through the net proceeds of the Issue is as under:

(Rs. in million)

	Total
Total Fund requirement for the Project	144
Amount Invested till September 30, 2006	73
Balance to be funded from Issue proceeds	**71**

The capital invested by us towards the share capital of Vamshi Industrial will be utilized by Vamshi Industrial for setting up of power plant. We intend to invest these funds in the project in accordance with the schedule as detailed in the table above, relating to the year-wise break down of the funds deployed.

Vamshi Industrial Power Project has been appraised by the State Bank of India (SBI). The cost of setting up the Vamshi Industrial Power Project is estimated at Rs. 575 million and is proposed to be financed with a debt to equity ratio of 3:1, as per the appraisal report. For more details on Vamshi Industrial, please refer to section titled "Our Business – Our Power Business – Vamshi Industrial Power Project" on page 80 of the Red Herring Prospectus.

The detailed break down of project cost as appraised by SBI is as follows:

(Rs. in million)

Cost	Upper Khauli	Drinidhar	Total
Land and site development	4	6	10
Civil Works	148	149	297
Hydro mechanical works	3	3	6
Electromechanical works (E&M)	69	69	138
Power evacuation	12	12	24
Misc. fixed assets	4	4	8
Consultancy	3	3	6
Interest during construction	20	20	40
Preliminary and preoperative expenses	16	16	32
Contingency	4	4	8
Margin money for working capital	3	3	6
Total	**286**	**289**	**575**

Contract for equipment supply

Name of the contract	Status : Order placed	Expected value	Expected date of Delivery
• Two Contracts to supply E&M equipment with Boving Fouress Limited	Yes	Each contract of Rs. 60.5 million	To be delivered before June 30, 2007
• Contract for Civil Works with Lanco Infratech Limited	Yes	Rs.348 million	To be completed before December 2006

Advance for acquisition of land has been paid to the vendors and formal registration is pending with relevant authorities.

4. **Investment in Vamshi Hydro**

LHPVL (our 91.1% owned subsidiary) owns 99.8% equity of VHEPL.

Vamshi Hydro is setting up two 5 MW hydroelectric power plants, Baner-III and IKU-II located in Kangra district, Himachal Pradesh. The capital contribution for Vamshi Hydro by us is estimated to be at Rs. 139 million of which we have already invested Rs. 71 million till September 30, 2006. The balance capital contribution is proposed to be funded through the net proceeds of the Issue is as under:

(Rs. in Million)

	Total
Total Fund requirement for the Project	139
Amount Invested till September 30, 2006	68
Balance to be funded from Issue proceeds	**71**

The capital invested by us towards the share capital of Vamshi Hydro will be utilized by Vamshi Hydro for setting up of its power project. We intend to invest these funds in the Vamshi Hydro Power Project in accordance with the schedule as detailed in the table above, relating to the year-wise break down of the funds deployed.

The Vamshi Hydro Prower Project has been appraised by the State Bank of India. The total cost of setting up Vamshi Hydro Power Project is estimated at Rs. 556 million and is proposed to being financed with a debt to equity ratio of 3:1, as per the appraisal report. For more details on Vamshi Hydro, please refer to "Our Business – Our Power Business – Vamshi Hydro Power Project" section on page 80 of the Red Herring Prospectus.

The detailed break down of project cost as appraised by SBI is as follows:

(Rs. in Million)

Cost	**Baner**	**IKU**	**Total**
Land and site development	4	6	10
Civil Works	146	139	285
Hydro mechanical works	3	3	6
Electromechanical works (E&M)	69	69	138
Power evacuation	7	12	19
Misc. fixed assets	4	4	8
Consultancy	3	3	6
Interest during construction	19	19	38
Preliminary and preoperative expenses	16	16	32
Contingency	4	4	8
Margin money for working capital	3	3	6
Total Project Cost	**278**	**278**	**556**

Contract for Equipment supply

Name of the contract	**Status : Order placed**	**Expected value**	**Expected date of Delivery**
• Two Contracts to supply E&M equipment with Boving Fouress Limited	Yes	Each contract of Rs. 60.5 Million	To be delivered before June 30, 2007
• Contract for Civil Works with Lanco Infratech Limited	Yes	Rs.338 Million	To be completed before December 2006

Advance for acquisition of land has been paid to the vendors and formal registration is pending with relevant authorities.

5. **Investment in Lanco Hills**

We currently own 99.9% of LHTPPL and propose to own 74%. We are party to certain legal proceedings related to the shareholding in LHTPPL and for further details please see "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases Against the Company" on page 249 of this Red Herring Prospectus.

Lanco Hills has won the bid to develop Hyderabad Property Project. For details on Lanco Hills, please refer to the section titled "Our Business – Property Development Business – Hyderabad Property Project" on page 87 in the Red Herring Prospectus.

The capital contribution for Lanco Hills by us is estimated at Rs. 925 million for Phase I investment as appraised by the Punjab National Bank of which we have already invested Rs. 644 million till 30th September 2006. We intend to fund this capital contribution through the utilization of part of the net proceeds of the Issue as under:

(Rs.in million)

	Total
Fund requirement for the Project	925
Amount Invested till September 30, 2006	644
Balance to be funded from Issue proceeds	**281**

The capital invested by us towards the share capital of Lanco Hills will be utilized by Lanco Hills for construction and development of an IT park cum integrated township at Manikonda in Hyderabad. We intend to invest these funds in the project in accordance with the schedule as detailed in the table above, relating to the year wise break down of the funds deployed.

The cost of developing Phase I of 50 acres of the IT park cum integrated township is estimated at Rs. 13,950 million and is proposed to be financed through a combination of equity, debt and customer advances in the ratio of Rs. 1,250 million towards equity, Rs. 3,750 million towards debt and the balance in the form of customer advances. For more details please refer to the section titled "Our Business – Property Development Business – Hyderabad Property Project" on page 87 of the Red Herring Prospectus.

Investment in Nagarjuna Power Project

We have entered into an agreement with Nagarjuna Power Corporation to subscribe up to 74.0% of the share capital of NPCL, upon achieving financial closure of the Nagarjuna Power Project before March 31, 2007. The balance 26% of the equity contribution is expected to be made by the Nagarjuna Fertilizers Group.

NPCL is setting up a 1,015 MW capacity imported coal fired power plant in Udupi district in the State of Karnataka. The project cost has been budgeted at approximately Rs. 43,424 million with a debt-to-equity ratio of 4:1. PFC has committed, subject to certain conditions, to lend Rs. 9,500 million for the project by a sanction letter dated July 19, 2006. We have currently tied up Rs.39,500 million for the project and are in the process of achieving financial closure for the project.

If we are not able to achieve financial closure of the project, we will lose our right under the agreement to subscribe for up to 74.0% of NPCL's share capital. Please see "Risk Factors - We are currently reorganising our business and are undertaking several new projects. If our reorganisation is not completed or our new projects are not successful, we may not achieve the operational and financial objectives we have set, and we may have difficulty achieving and managing growth" on page xvii of this Red Herring Prospectus.

We expect the Nagarjuna Power Project to achieve financial closure by December 2006 and the project to be commissioned by December 2009. We are required to contribute Rs. 6,423 million towards the cost of the project over the period of 36 months from the date of financial closure. We intend to fund this capital contribution through the utilization of part of the net proceeds of the Issue as under:

(Rs. in million)

	Total
Total Fund requirement for the Project	6,423
Amount Invested till September 30, 2006	Nil
Balance to be funded from Issue proceeds	**6,423**

The detailed break down of project cost as appraised by PFC is as follows:

(Rs. in million)

Particulars	Amount
Preliminary including Site Development	13.0
Land	218.0
Rehabilitation and Settlement	98.0
Construction Contracts Cost	36,677.0
Taxes and Duties	1,014.0
Establishment and Construction Supervision	362.0
Operator Training	25.0
Startup Fuel	165.0
Legal Expenses	41.0
Consultancy and Engineering	143.0
Preoperative Expenses	192.0
Audit and Accounts	15.0
Construction Insurance	135.0
Non- EPC Works	140.0
Financial Advisors' fees	109.0
Contingency	434.0
Working capital margin	0.0
Interest during Construction	3,469.0
Financing Charges	174.0
Total	**43,424.0**

Contract for Equipment supply

Name of the contract	Status : Order placed	Expected value	Expected date of Delivery
• EPC services contract with BHEL; • EPC supply contract with BHEL; • Civil works contract with Simplex Infrastructures Limited (**"Simplex"**) • Supply contract for external BOP systems with Simplex; • Road works contract with Simplex; • Railway works contract with Simplex	Yes	Aggregating to Rs. 36,677 Million.	To be delivered within 36 months from the date of NTP.

Land acquisition have been completed for 484 acres and the necessary registration formalities are underway. Further acquisition of Land is under process.

In the event, we do not achieve financial closure or we exercise a right to acquire less than 74%, then our capital contribution would be lower than the estimated Rs. 6,423 million and consequently we will utilize such balance amount towards our other investment opportunities or general corporate purposes.

Payment for acquisition of 13.3% equity stake in Aban Power from Aban Ventures

On May 29, 2006, we entered into a share purchase agreement with Aban Ventures to acquire an additional 13.3% equity stake in Aban Power for a consideration of Rs. 350 million. No independent valuation was made in relation to this consideration of Rs. 350 million payable for the said acquisition and the valuation was based on internal management discussions and negotiations thereafter with Aban Ventures. This equity interest was transferred to us on June 7, 2006. The consideration must be paid by November 30, 2006. Consequent to this acquisition our holding in Aban Power increased to 51.0% and became our subsidiary.

We intend to pay the consideration of Rs. 350 million to Aban Ventures from the net Issue proceeds. For more details please refer to "History and Corporate Structure – Shareholders and Joint Venture Agreements" beginning on page 123 of the Red Herring Prospectus. For the details of pre and post reorganisation equity stake of LITL in Aban Power, please see section titled "Our Subsidiaries and Associates" on page 199 of this Red Herring Prospectus.

Payment for acquisition of 25.1% equity stake in Lanco Kondapalli from Globeleq

On July 10, 2006 we entered into a share purchase agreement to acquire an additional 25.1% equity stake from Globeleq for a consideration of USD 30 million (approximately Rs. 1,394.7 million) plus interest for the period from the payment date until the date of actual payment. No independent valuation was made in relation to this consideration of USD 30 million payable for the said acquisition and the valuation was based on internal management discussions and negotiations thereafter with Globeleq. Under the terms of this share purchase agreement, we must exercise our right to acquire this additional 25.1% equity interest by October 8, 2006 (the "Payment Date") failing which we are liable to pay interest for the period from the Payment Date until the actual payment is made.The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to receiving Government approval and the consent of the other shareholders of LKPPL. Consequent to this acquisition, our holding will increase to 59% and Lanco Kondapalli would become our subsidiary. We intend to pay the consideration of USD 30 million to Globeleq by utilization of part of the net proceeds of the Issue. For details please refer to "History and Corporate Structure – Shareholders and Joint Venture Agreements" section on page 123 of the Red Herring Prospectus. For the details of pre and post reorganization equity stake of LITL in Lanco Kondapalli, please see section titled "Our Subsidiaries and Associates" on page 199 of this Red Herring Prospectus.

General Corporate Expenses

We intend to continue to grow and strengthen our operations and control in the power generation and trading, construction and property development sectors by exploring both organic and inorganic growth opportunities including acquisitions and strategic initiatives.

Accordingly, we intend to use a part of the net proceeds from the Issue towards our other existing projects and such growth plans. We continue to evaluate various opportunities and may bid for new projects. We cannot assure you that any or all of our bids will be successful. Our management will have the flexibility in utilizing these proceeds under the overall guidance and policies laid down by our Board.

We may have to revise our business plans from time to time and consequently our capital requirements may also change including revision of our capital expenditure programmes or changes in capital structure. We intend to use part of the net proceeds from this Issue in respect of such capital requirements.

In addition, we also intend to use part of the net proceeds of the Issue for general corporate purposes including for working capital requirements like funding of bidding expenses, initial development expenses for new business opportunities, repayment of loans.

Benefits of Listing

We believe that equity capital markets are ideal sources for meeting long term funding requirements of a growing infrastructure development company like ours. In addition, the listing of our Equity Shares will, *inter alia,* enhance our visibility and brand name among our existing and potential customers. We also believe as a listed entity we would be able to attract high quality and talented personnel. Further, the listing of our Equity Shares will also provide liquidity to our existing shareholders.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Expenses	**Expense break down***		
	Amount *(Rs. in million)*	**% of total Issue expenses**	**% of total Issue size**
Lead management fee and underwriting commissions	[●]	[●]	[●]
Advertising and Marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Others (Registrars fee, legal fee, listing fee etc.)	[●]	[●]	[●]
Total estimated Issue expenses	**[●]**	**[●]**	**[●]**

* *will be incorporated after finalization of Issue Price*

Interim use of funds

Pending utilization of the proceeds of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration and other investment grade interest bearing securities as may be approved by the Board. Such transactions would be at the prevailing commercial rates at the time of investment.

Shortfall of funds

The shortfall in funds, if any, shall be met by our internal accruals. For the year ended March 31, 2006, the cash accruals of the Company on a consolidated basis is as under:

(Rs. in million)

Details	**Amount**
Net Profit after taxation, minority interest and share of profits of associates	170.7
Add: Depreciation	18.9
Cash Accruals for the year ended March 31, 2006	189.6

Monitoring of Utilization of funds

We have appointed SICOM as the Monitoring Agency for the Issue, in terms of Clause 8.17 of the SEBI Guidelines. The Monitoring Agency along with our Board will monitor the utilization of the proceeds of the Issue. Also, we will disclose the utilization of proceeds of the Issue in the notes to the accounts of our financial statements.

SICOM, incorporated in 1966, is an Indian financial institution located in Mumbai and is dedicated to catalyzing development in the industrial, services and infrastructure sectors in India by providing tailor made financial solutions and advisory services to companies in the private and public sector and Government bodies.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, our Directors, Key Managerial Personnel or companies promoted by our Promoters, except in the usual course of business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Share is Rs. 10 and the Issue Price is 20.0 times the face value at the lower end of the Price Band and 24.0 times the face value at the higher end of the Price Band.

Qualitative Factors

Internal Factors

- We are an established infrastructure development company in India with interests in power, construction and property development.
- We have extensive experience in the construction business and successful acquisitions and implementation of power projects.
- We have a track record in identifying and successfully executing projects.
- We maintain operations in diverse segments reducing our dependence on one segment of business.
- We currently own 10 power projects (of which four are in operation and six are under development) with current contracted capacity of 141 MW and an additional 1,260 MW under development. In addition, we have an option to acquire, develop and operate an additional 1,015 MW power project.
- We currently own 33.9% of LKPPL, which owns and operates the Kondapalli Power Plant, and have agreed to acquire an additional 25.1% equity stake from Globeleq. The Kondapalli Power Plant has an operating capacity of 368.1 MW.
- In the construction business, we have experience in execution of several power projects, transportation networks, water supply works, and commercial and residential building complexes.
- In the property business, we own or have rights to develop approximately 19.5 million square feet of saleable area.
- We have the ability to undertake projects both on turnkey and design-build basis.
- We benefit from the use of the "Lanco" brand.
- We have entered into strategic and financial partnerships with leading international firms and have strong relationships with leading Indian financial institutions.

External Factors

- India has exhibited strong growth with an average real GDP growth of approximately 6.0% over the period fiscal 2000 to fiscal 2005.
- The Government has taken initiated policy measures for development of power and infrastructure sectors:
  - "Power for All" during the Tenth and Eleventh Plans by adding around 100,000 MW of generation capacity by 2012.
  - A number of policy initiatives by the National Highway Development Program (NHDP), in an effort to improve highway infrastructure. Recently, the Government has added five additional phases that will further upgrade about 45,000 kms of national highways or other road networks.
  - Public-Private partnerships for airport development and modernization initiatives.

For detailed discussion on the above factors, see the section titled "Industry Overview" on page 49 of this Red Herring Prospectus and the section titled "Our Business" on page 67 of this Red Herring Prospectus.

Quantitative Factors

The information about us that has been presented in this section is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP.

Some of the quantitative factors, which may form the basis for computing the Issue Price, are as follows:

1. Adjusted Earnings Per Share*

Financial Period	EPS based on Restated Financial Statements (Rs.) Consolidated	Weight
Year ended March 31, 2004	0.43	1
Year ended March 31, 2005	0.56	2
Year ended March 31, 2006	1.04	3
Weighted Average	**0.78**	

* *The EPS has been calculated for the last three financial years after adjustments for the changes in the capital structure after March 31, 2006. The weighted average number of Equity Shares outstanding during the year have been computed pursuant to para 44 of Accounting Standard (AS) 20. The outstanding Equity Shares considered for the period are 164,746,348.*

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share

Particulars	P/E at the lower end of Price Band (no. of times)	P/E at the higher end of Price Band (no. of times)
a) Based on year ended March 31, 2006 consolidated restated EPS of Rs. 1.04	192.3	230.8
b) Based on weighted average consolidated restated EPS of Rs. 0.78	256.4	307.7

Industry P/E

Industry P/E *	Power	Construction
a) Highest	GVK Power : 46.8	Mahindra Gesco : 205.6
b) Lowest	Gujarat Indus Power : 6.7	Regliaa Realty : 3.8
c) Industry Average	**17.4**	**36.9**

* *All the figures are as reported in Capital Markets Volume XXI / 15, dated Sep 25-Oct 08, 2006*

3. Average Return on Net Worth

Financial Period	RONW %	Weight
Year ended March 31, 2004	6.07	1
Year ended March 31, 2005	12.62	2
Year ended March 31, 2006	15.10	3
Weighted Average	**12.77**	

Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 4.44 is [●] %

4. Net Asset Value*

Particulars	NAV (Rs. per share)
a) As at March 31, 2006	5.79
b) After Issue	[●]
c) Issue Price	[●]

Financial Period	NAV	Weight
Year ended March 31, 2004	4.20	1
Year ended March 31, 2005	4.76	2
Year ended March 31, 2006	5.79	3
Weighted Average	**5.18**	

* *The NAV has been calculated for the last three financial years after adjustments for the changes in the capital structure after March 31, 2006. The weighted average number of Equity Shares outstanding during the year have been computed pursuant to para 44 of Accounting Standard (AS) 20. The outstanding Equity Shares considered for the period are 164,746,348.*

5. **Accounting Ratios of some of the companies in the same Industry:**

Companies	EPS * (Rs.)	P/E *	RONW * (%)	NAV * (Rs.)
Power				
• Tata Power	22.7	21.6	8.8	280.5
• Reliance Energy	29.4	15.1	10.8	330.0
• Jaiprakash Hydro	1.6	16.6	12.5	14.3
• Gujarat Industrial Power	7.6	6.7	19.9	61.5
• Neyveli Lignite	3.3	22.1	7.7	47.7
Construction				
• Jaiprakash Associates	17.2	26.8	18.1	113.8
• Nagarjuna Constructions	9.9	26.0	16.4	91.1
• Punj Lyods	6.7	-	4.1	202.2
• Patel Engineering	11.9	25.1	44.7	103.8
• IVRCL Infrastructure	8.5	27.9	25.5	47.6
• Hindustan Construction	3.2	31.3	13.4	34.7
Real Estate				
• DS Kulkarni	7.7	20.4	62.5	86.9
• Lok Housing	19.2	5.9	50.5	47.6
• Peninsula Land	13.2	16.2	-	-5.4
• Mahindra Gesco	0.2	205.6	2.1	41.2
• Asahi Infrastructure	0.1	-	6.2	1.3

* *All the figures are full year figures as reported in Capital Markets Volume XXI / 15, dated Sep 25-Oct 08, 2006*

6. The face value of our Equity Share is Rs. 10/- per share. The Issue Price is 20.0 times (at the lower band of Issue Price of Rs. 200 per share) and 24.0 times (at higher band of the Issue Price of Rs.240 per share) of the face value of our Equity Shares.

7. The Issue Price of Rs. [●] has been determined by us, in consultation with the BRLMs, on the basis of the demand from the investors for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. The investors should also peruse the entire Red Herring Prospectus, specifically the sections on “Risk Factors” and “Financial Statements” as appearing on page xv and F-1 respectively of this Red Herring Prospectus to have a more informed view about the investment proposition.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

Statement of Tax Benefits

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

Dear Sirs,

We hereby certify that the enclosed "Annexure" states the tax benefits available to Lanco Infratech Limited (the "Company") and its Shareholders under the provisions of the Income-tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions which based on business imperatives the company faces in the future, the company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares.

This statement is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities & Exchange Board of India (Disclosure & Investor Protection Guidelines, 2000) and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956. Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if it had been carried out in accordance with those standards.

For Price Waterhouse

Chartered Accountants

P. Rama Krishna
Partner
Membership Number 22795

Place: Hyderabad

Date: September 9, 2006

1. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 Dividends exempt under Section 10(34)

Under Section 10(34) of the Act, the Company will be eligible for exemption of income by way of dividend from domestic company referred to in Section 115-O of the Act.

1.2 Income from units of Mutual Funds exempt under Section 10(35)

The Company will be eligible for exemption of income received from units of mutual funds specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of Section 10(35) of the Act.

1.3 Computation of capital gains

1.3.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/ improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(36) or 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.3.5 Exemption of capital gain from income tax.

1.3.5.1 Under Section 10(36) of the Act, long term capital gains arising on eligible equity share in a company (acquired on or after the 1st day of March 2003 and before the 1st day of March 2004) sold through a recognised stock exchange in India will be exempt from tax.

1.3.5.2 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.

1.3.5.3 According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.4 Other specified deductions

Subject to fulfillment of conditions, the Company will be eligible, *inter alia,* for the following specified deductions in computing its business income:-

1.4.1 Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.4.2 Section 35(1)(ii) and (iii) of the Act, in respect of any sum paid to a Scientific Research Association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid.

1.4.3 Subject to compliance with certain conditions laid down in Section 32 of the Act, the Company will be entitled to deduction for depreciation:

1.4.3.1 In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax Rules, 1962;

1.4.3.2 In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article or thing, a further sum of 20% of the actual cost of such machinery or plant;

1.4.4 Subject to compliance with certain conditions laid down in Section 80-IA of the Act, the Company will enjoy 100% tax exemption for any 10 consecutive Assessment Years out of 15 years, as the case may be, in respect of profits earned from an undertaking set up for generation of power from Windfarm.

1.4.5 Subject to compliance with certain conditions laid down in Section 80-IA of the Act, the Company will enjoy 100% tax exemption for any 10 consecutive Assessment Years out of 15/20 years, as the case may be, in respect of profits earned from an undertaking set up for developing or operating and maintaining or developing, operating and maintaining any notified infrastructure facility.

1.4.6 Subject to compliance with certain conditions laid down in Section 80-IA (12) of the Act, the Company will enjoy 100% tax exemption for residual period out of 15/20 years, as the case may be, in respect of profits earned from an undertaking or an enterprise engaged in notified infrastructure facility and which amalgamates with the company.

1.4.7 Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

2. Benefits available to resident shareholders

2.1 Dividends exempt under Section 10(34)

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

2.2 Computation of capital gains

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, Long term Capital Gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

  In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

  However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. Benefits available to Non-Resident Indian shareholders (Other than FIIs and Foreign venture capital investors)

3.1 Dividends exempt under Section 10(34)

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

3.2 Computation of capital gains

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 *Options available under the Act*

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the Act:

- Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange.
- According to the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under Section 10(38), will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in Section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) & (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 Exemption of capital gain from income tax

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.
- In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.

  However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to other Non-resident Shareholders (Other than FIIs and Foreign venture capital investors)

4.1 Dividends exempt under Section 10(34)

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

4.2 Computation of capital gains

4.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.
- In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.
- However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and gains of business or profession” arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. Benefits available to Foreign Institutional Investors (‘FIIs’)

5.1 Dividends exempt under section 10(34)

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

5.2 Taxability of capital gains

5.2.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

5.2.2 The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Act:

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge & education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 10% (plus applicable surcharge and education cess)
- Long Term capital gains @ 10% (plus applicable surcharge and education cess) (without cost indexation)

It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

5.2.3 According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

5.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

7. Venture Capital Companies / Funds

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including profit on sale of shares of the Company.

8. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

9. Benefits available under the Wealth-tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

Notes

1 *All the above benefits are as per the current tax law as amended by the Finance Act, 2006.*

2 *The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.*

3 *In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.*

SECTION IV – ABOUT US

INDUSTRY OVERVIEW

Unless otherwise indicated, all financial and statistical data in the following discussion is derived from the Ministry of Finance's Economic Survey (2004-05), Monthly Review of the Indian Economy, Centre for Monitoring Indian Economy ("CMIE"), March 2006 edition, Integrated Databases India Limited, CRIS INFAC Construction Annual Review February 2006, Ministry of Power's Annual Report (2002-2003 and 2004-2005), the Central Electricity Authority's General Review (2000-2001) and Executive Summary (March 2005) and the Planning Commission (Power and Energy Division) Annual Report on the Working of the State Electricity Boards and Electricity Departments (2001-2002). The data may have been re-classified by us for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive capacity and generation. The term "units" as used herein refers to kilowatt-hours or KWH.

The Indian Economy (Performance in 2005-2006)

The performance of the Indian economy in 2005-06 has exceeded expectations formed at the beginning of the fiscal year. For the first three-quarters of 2005-2006, India had a real GDP growth rate of 7.9%. In the same period, industry and service sectors grew by 8.9% and 9.6%, respectively, while agriculture grew by 2.5%. CMIE projects a real GDP growth rate of 8% to 8.25% for fiscal 2007.

There are also indications that the Indian economy is in the early stages of a significant structural change with the following key trends evident:

- higher private consumption driven by the growth of greater value-added services and the creation of a sizeable middle class;
- change in demographics;
- higher investment driven by public investment in roads and railways and private investment spurred by policy changes in the ports and power sector; and
- higher net exports driven by exports / outsourcing of information technology, pharmaceuticals, automobiles, auto parts and textiles.

The growth in the Indian economy is also leading to growth in per-capita income levels, which in turn is fuelling increased levels of demand for housing, power, transportation and water supply. The following table shows the shift in Indian demographics over the last decade and the anticipated trend through 2010.

Households ('000s)

Classes	1995-96	2001-02	2009-10E
Annual Income (Rs.) at 2001-02 prices			
Super Rich (>10 million)	5	20	141
Sheer Rich (5-10 million)	11	40	255
Clear Rich (2-5 million)	63	201	1,037
Near Rich (1-2 million)	189	546	2,373
Strivers (0.5-1 million)	651	1,712	6,173
Seekers (200-500 thousand)	3,881	9,034	22,268
Aspirers (90-200 thousand)	28,901	41,262	75,304
Deprived (<90 thousand)	131,176	135,378	114,394
Total	**164,876**	**188,192**	**221,945**

Source: NCAER's report: "The Great Indian Market", 2005, as posted on the Federation of Automobile Dealers Association website, www.fadaweb.com, on March 7, 2006

Given these trends and the general positive correlation between economic growth and aggregate demand, investments and consumption, it is assessed that the Indian economy will play a major role in the development and growth of the power, infrastructure and the real estate sectors.

Progressive liberalisation of Government policies has facilitated Foreign Direct Investment as well as inflows into the capital markets. With foreign exchange reserves of over US Dollars 14,300 million, India holds the 5th largest stock of foreign exchange reserves among the emerging market economies and the 6th largest in the world.

The country is today witnessing an accelerated pace of investment in industry and infrastructure, and a domestic market that is growing daily in terms of its purchasing power. As per a recent survey, India ranks 4th in terms of Purchasing Power Parity, after the USA, China and Japan.

The following table shows the annual percentage change in some key indicators of the Indian economy over a period of 5 years until 2005.

	As of and for the year ended March 31, (Annual percentage change, except for foreign exchange reserves)					
	2000	2001	2002	2003	2004	2005
Real GDP growth	6.1	4.4	5.8	4.0	8.5	6.9
Industrial Production	6.6	5.1	2.6	5.8	7.0	8.4
Inflation Rate based on Wholesale Price Index (Average)	3.3	7.1	3.7	3.4	5.4	6.4
Imports (% to GDP)	11.1	10.9	10.8	12.1	13.0	15.5
Exports (% to GDP)	8.2	9.6	9.2	10.4	10.6	11.5
Foreign Exchange Assets (in U.S.$ billions)	35.1	39.6	51.0	71.9	107.4	135.6

The following table shows the inflow into India of foreign direct investment and portfolio investment.

	Year Ended March 31,					
(USD Million)	2000	2001	2002	2003	2004	2005
Foreign Direct Investment	2,167	4,031	6,125	5,036	4,674	5,526
Portfolio Investment	3,024	2,760	2,021	979	11,378	8,907

Power Scenario in India

The power industry in India has been characterized by peak power and energy shortages. In fiscal 2004 and 2005, demand for electricity exceeded supply on an average by an estimated 7.1% and 7.3%, respectively, in terms of total requirements and 11.2% and 11.7%, respectively, in terms of peak demand requirements. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally. According to the United Nations, India has one of the lowest electricity consumption levels in the world, at 606 units per capita in 2000, due in part to unreliable supply and inadequate distribution networks. This contrasts with 827 units per capita in China, 1,878 units per capita in Brazil and 12,331 units per capita in the United States, in 2000.

Generation

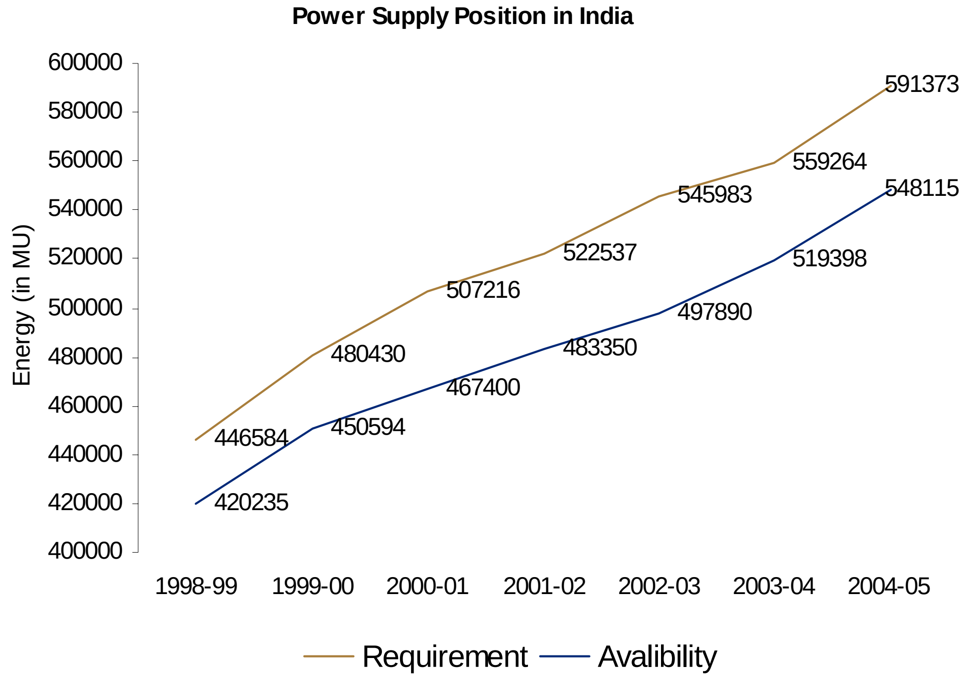
According to the MoP, the total installed capacity as on January 31, 2005 in the country is 121,775 MW out of which 57.6% belongs to the entities controlled by the Government/State Governments. Out of the total installed capacity, 66.2% is thermal, 26.1% hydro, 2.7% nuclear and 5% renewable energy sources.

Installed Generation Capacities by Sector (as on January 31, 2005)

	Thermal (MW)	Hydro (MW)	Wind (MW)	Nuclear (MW)	Total (MW)
State	41,736	23,510	69	0	65,315
Centre	29,467	5,749	0	2,720	37,935
Private	8,999	876	2,420	0	12,295

Source: Ministry of Power

1998-99 to 2004-05



Capacity Addition Programme, Tenth Plan

The Government has set an ambitious target of providing "Power for All" during the Tenth and Eleventh Plans. Based on the 16th Electricity Power Survey prepared by the CEA, India would require additional capacity creation of nearly 100,000 MW by 2012 to achieve this goal.

The Ninth Plan targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. The MoP estimates indicate that only 19,015 MW, or 47% of the planned capacity addition, were added in the aggregate during the Ninth Plan. The target for capacity addition has been set at 41,110 MW under the Tenth Plan, as described below:

Xth Plan Status* (As on April 3, 2006) (in MW)

	Target	Commissioned	Under Execution	Overall Capacity Addition now Anticipated
Central	22,832	8,325	8,900	17,225
State	11,157	4,481	7,410	11,901
Private	7,121	1,379	3,520	4,899
	41,110	**14,185**	**19,840**	**34,025**

Source:

* *Including 2,520 MW nuclear projects under construction. (**Source:** Ministry of Power website)*

* *Source: CEA, Annual review of Power Sector 2005, note error in totalling of 'Under Execution'*

The likely achievement in capacity addition for the Tenth plan (2002-2007) is estimated at approximately 34000 MW.

Transmission and Distribution (T&D)

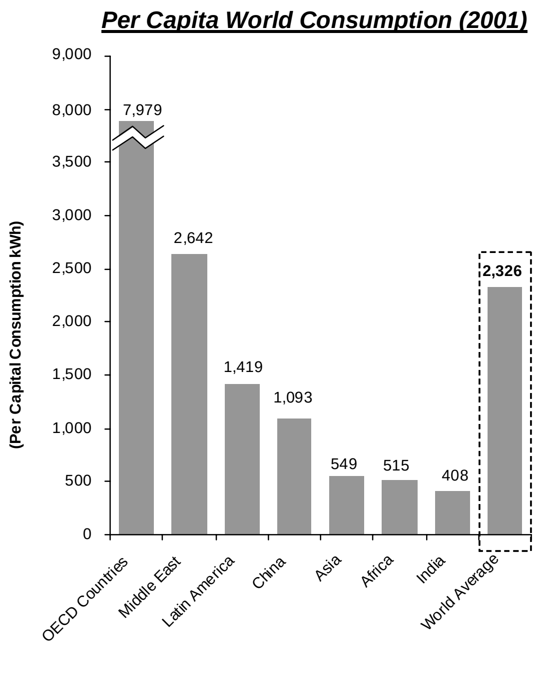
In India, the T&D system is a three-tier structure comprising regional grids, State grids and distribution networks. The distribution network and the State grids are owned and operated by SEBs or State Governments through SEBs. Most of the inter-state transmission links are owned and operated by POWERGRID. In order to facilitate the transfer of power between neighboring states, State grids are interconnected to form regional grids. There are five regional grids, which have been constituted as follows:

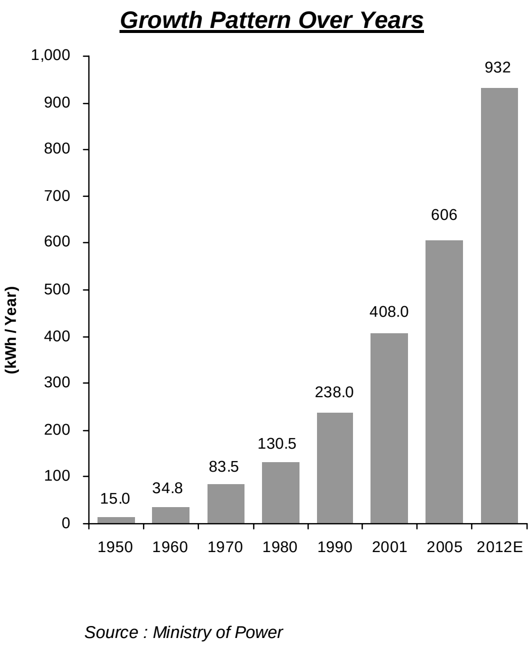
- Northern region grid which comprises Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh;
- Eastern region grid which comprises Bihar, Orissa, Sikkim and West Bengal;
- Western region grid which comprises Dadra and Nagar Haveli, Daman and Diu, Chhattisgarh, Goa, Gujarat, Madhya Pradesh and Maharashtra;
- Southern region grid which comprises Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu; and
- North-eastern region grid which comprises Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

Consumption

Per capita consumption of electricity in India was 606 KWH / Year in 2004-05. Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. In fiscal 2004, India faced an energy shortage of approximately 7.1% of total energy requirements and 11.2% of peak demand requirements.

Per Capita Electricity





Source: Key World Energy Statistics (2003) as quoted on website of MoP, December 2005

Clean Development Mechanism (CDM) and Certified Emission Reduction (CER) Credits

Due to the threat of climate change caused by global warming and excessive accumulation of green house gases in the atmosphere, the Clean Development Mechanism has gained importance in recent times. India being a developing country there is significant scope for trading of CERs under CDM thereby adding another source of foreign exchange earnings.

The CDM projects undertaken by the developing country generates reductions in greenhouse gas emissions resulting in CER credits (equal to 1 MT of CO_2 equivalent) to the project. The credits so earned can be traded by the project participant to contribute to the emission reduction commitments of industrialized countries. This mechanism is a project-based activity between developed and developing countries (Government / Private Sector).

CDM is applicable in all power generation projects using renewable energy sources such as wind, power, solar, biomass and hydro power. The CDM mechanism can be effectively established:

- In projects where energy efficiency measures are to be undertaken relating to boiler, pumps, turbines, installation of variable speed drives, efficient cooling systems, back pressure turbines, etc;
- In industries that have both steam and power requirements; and
- In areas of waste management and transportation

Organisation and Regulation of the Electricity Industry

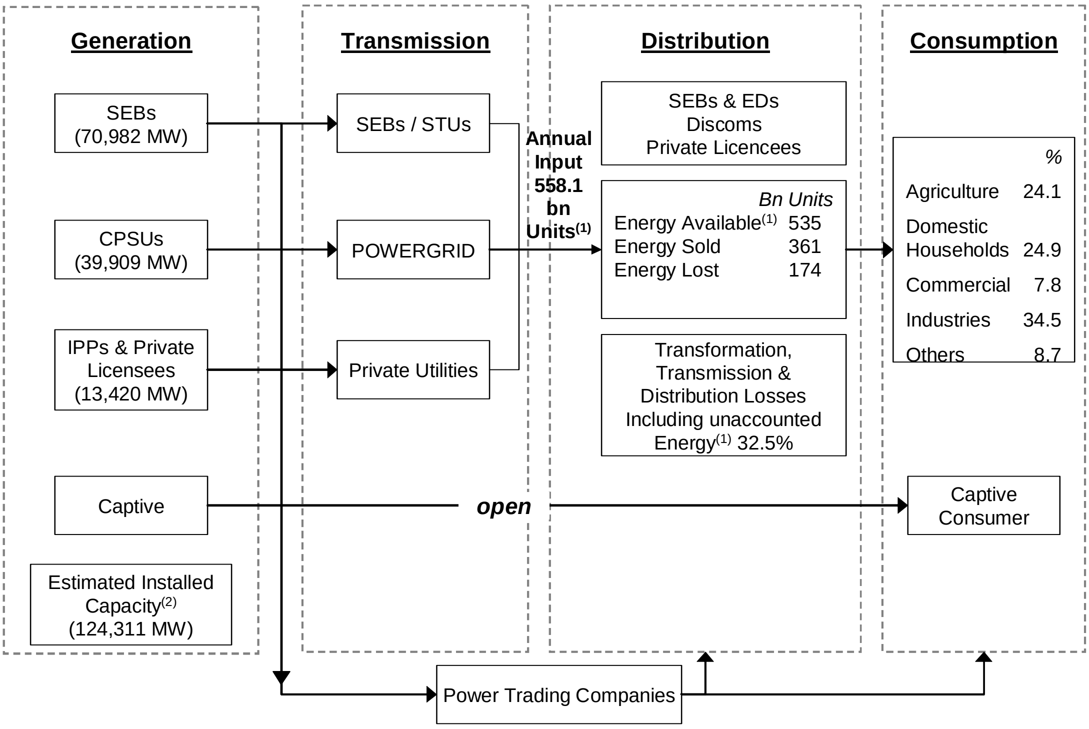
The ERC Act and the Electricity Act provide the statutory framework for the regulation of electricity in India. There is also state-level legislation in the power sector in a number of states, including Andhra Pradesh, Haryana, Karnataka, Orissa, Rajasthan and Uttar Pradesh.

In India, control over the development of the power industry is shared between the Central and the State Governments. The MoP is the highest authority governing the power industry in India. The Central Electricity Authority (CEA), a statutory organisation constituted under the Supply Act, is the technical branch of the MoP assisting in technical, financial, economic and planning matters relating to the electricity industry.

The Central Electricity Regulatory Commission (CERC) constituted under the ERC Act is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs. Subsequently, 24 states have constituted SERCs and 18 have issued tariff orders in the direction of rationalizing the tariffs. The SERCs are engaged in regulating the purchase, distribution, supply and utilisation of electricity, tariff and charges payable, as well as the quality of service.

Organisation of the power industry

The following diagram depicts, in schematic form, the structure of the Indian power industry including figures for generation, transmission & distribution and consumption:



(1) Figures of energy available, sold, lost and consumed are of all India Utilities (i.e. excluding 23 bn units generation of non-utilities) for FY2003-04; Source : CEA, NTPC Annual Report 2004-05
(2) Installed Capacity is given as on March 31, 2006, Source : Website of MoP, April 13, 2006

Developments

- In 1991, to supplement public sector investment, the Government permitted 100% foreign ownership of power generating assets and provided assured returns, a five-year tax holiday, low equity requirements, and for some private generators, counter-guarantees against non-payment of dues by SEBs. As a consequence, since 1991, a total capacity of approximately 7,400 MW from 37 private power plants has so far been commissioned. Additional capacity of approximately 4500 MW from 12 projects is reported to be under construction.
- However, these reforms still did not address the poor financial health of the SEBs, and power shortages persisted. T&D losses, estimated to be 32.9% on average for the country in fiscal 2001, were especially high, due to inadequate metering, obsolete equipment and theft.
- In 2001, the Government introduced the Accelerated Power Development and Reforms Programme ("APDRP") to bring down T&D losses to 10% through various central, State and local level initiatives and to improve the performance of generating stations through renovation and modernization.
- In order to improve the financial health of the SEBs, the Government implemented the Scheme for One Time Settlement of Outstanding Dues (the "One Time Settlement"), which settled the outstanding dues of the SEBs payable to the CPSUs, and set up a system to facilitate the full payment of subsequent billings.
- Most recently, the Electricity Act was adopted, which consolidated all existing laws governing the industry, created a program for restructuring the SEBs, and introduced greater competition and access into certain segments of the industry.
- The MoP has also stated a goal 'Mission 2012: Power for All' to achieve the objective of having reliable, quality power at optimum cost that is commercially viable to achieve a GDP growth rate of 8%.

Other Policy Initiatives

Mega Power Projects

In 1998, the Government announced a policy aimed at utilising economies of scale and producing power at the most economical locations. Under this policy, subject to satisfying certain conditions, thermal power projects with a capacity of 1,000 MW and above (and hydro projects with a capacity of 500 MW and above) and selling power to more than one State are granted "mega power project" status, and allowed certain fiscal benefits, such as the duty-free import of capital goods and a ten-year income tax holiday. Mega power projects in both the public and private sectors can avail of the benefits of this policy. An Inter-Institutional Group (IIG) comprising senior representatives from the lenders and MoP has been constituted to jointly appraise such projects and facilitate financial sanction in a time bound fashion. Eleven power projects with a total capacity of about 4,000 MW have since achieved financial closure and eight more projects with a total capacity of about 10,000 MW are being pursued for early financial closure, possibly by the first quarter of 2005-06. A "Green Channel" has been constituted in the MoP to facilitate statutory clearances for the developers.

Scheme for One Time Settlement of Outstanding Dues

To help improve the financial health of the SEBs, the Government implemented the One Time Settlement on April 17, 2002.

Power Trading

Power trading involves the exchange of power from suppliers with surplus capacity to pockets where there is a deficit. The Electricity Act recognized power trading as a distinct activity from generation, transmission, and distribution. Seasonal diversity in generation and demand, as well as the concentration of power generation facilities in the fuel-rich eastern region of India, has created ample opportunities for trading of power. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to interstate trading in electricity. Under the rules, the regulatory intention is the promotion of competition. Several entities have started trading operations or have applied for trading licenses. Current participants in the power trading business include, among others, PTC, NTPC's subsidiary NTPC Vidyut Vyapar Nigam Limited and the Tata Power Trading Company Private Limited.

Infrastructure

Opportunities in Infrastructure Sector

Although India has made rapid economic strides over the last decade, it has lagged behind many other developing and developed nations in terms of infrastructure development. As per Asia Development Outlook 2005, India's investment in infrastructure for fiscal 2005 was 3.5% of its GDP, as compared to a projected rate of 8% made by the Expert Group on commercialization of infrastructure projects set up by the Asian Development Bank. Thus India will require a significant boost in infrastructure investment in order to sustain its current pace of growth. Set forth below is the estimated level of investment in the infrastructure industry over fiscal 2003 to fiscal 2007.

Infrastructure Investments:

(Rs. in billion)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006E	Fiscal 2007E
Airports	20	15	15	24	25
Irrigation	151	139	208	222	252
Ports	7	5	5	10	20
Power	232	312	340	350	346
Thermal	136	204	224	226	210
Hydro	90	96	98	98	105
Nuclear	6	13	18	26	31
Railways	121	135	153	146	140
Roads	206	190	199	212	213
Telecom	133	126	89	116	116
Tourism	2	4	5	7	8
Urban Infrastructure	162	174	184	220	250
Total	**1,034**	**1,101**	**1,197**	**1,307**	**1,370**

Source: CRISINFAC Construction Update – October 2005,

Amounts spent on construction related to infrastructure projects

(Rs. in billion)

	Fiscal 2004	Fiscal 2005	Fiscal 2006E	Fiscal 2007E
Airports	6	6	10	11
Irrigation	112	167	177	201
Ports	3	2	5	10
Power	112	119	121	125
Thermal	41	45	45	42
Hydro	67	68	69	73
Nuclear	4	6	8	9
Railways	57	64	61	59
Roads	190	199	212	213
Telecom	13	9	12	1
Tourism	2	2	4	4
Urban Infrastructure	104	110	132	150
Total	**598**	**679**	**735**	**784**

Source: CRISINFAC Construction Update – October 2005

Key Segments of the Infrastructure Sector

Some key segments of the infrastructure sector are described below:

Roads

The Economic Survey 2005-06 of the Government of India states that India has the largest road network in the world. The following table depicts the breakdown among the various categories of roads in India and the entities responsible for creating and maintaining them.

Road Category	Authorities Responsible for Construction & Maintenance	Approximate Network Length (km)
National Highway	Central Government (through Ministry of Shipping, Road Transport and Highway)	65,569
State Highways	State Governments (Public Works Departments or PWDs)	131,899
Major District Roads	State Governments / State Government Entities	467,763
Village and Other Roads	Rural Engineering Organisations, Local Authorities such as Panchayats and Municipalities	2,650,000
Total		**3,300,000**

Source: NHAI website, as of February 22, 2006

India's road and highway network of approximately 3.3 million kilometers provides a relatively dense network by international standards

Roads form the most common mode of transportation and accounted for approximately 87% of passenger traffic and 65% of freight in fiscal 2005, making it the main artery for commuting across the country. This share has improved significantly from 32% of passenger traffic and 12% of freight in fiscal 1951. The National Highways, which account for 65,569 kilometers of network (i.e., less than 2% of the total road network), carry nearly 40% of the total road traffic in India.

Out of 65,569 kilometers of the National Highways network, only 9% of the total network is four-laned, 56% is two-laned and 35% is single-lane only. The need for expansion and improvement of roads in India is widely recognized due to the usage cost for vehicles (including fuel and maintenance), which, due to poor road conditions, is 20% higher than in developed countries. Also, the average distance covered on highways per day in India is only 250 kilometers, compared to 600 kilometers per day in developed countries.

National Highway Authority of India

The NHAI was constituted by an act of Parliament, the NHAI Act. The NHAI's primary mandate is the time and cost bound implementation of the NHDP through a variety of funding options, which includes funding from external multilateral agencies such as the World Bank, the Asian Development Bank and the Japan Bank of International Commerce. The NHAI is mainly focused on strengthening and four-laning approximately 13,146 kilometers of high-density corridors across India.

The major areas that the NHAI is responsible for overseeing include the following:

- enhancing the Golden Quadrilateral-5,846 kilometers connecting Delhi-Kolkata-Chennai-Mumbai;
- enhancing the North-South and East-West Corridors-7,300 kilometers connecting Kashmir to Kanyakumari and Silchar to Porbandhar;
- providing road connectivity to major ports;
- involving the private sector in financing the construction, maintenance and operation of National Highways and wayside amenities;
- improvement, maintenance and expansion of the existing National Highways network;
- implementation of road safety measures and environmental management; and
- introducing information technology in construction, maintenance and all operations under the NHDP.

NHAI proposes to finance its projects through a variety of financing mechanisms, some of which are as follows:

- Private participation for National Highway Development Projects

  NHAI has offered projects on 'build, operate and transfer' basis (BOT) to contractors to promote private investments in roads and highways. Under such contracts, the contractor invests in building the road and maintaining it for up to 30 years, and then transfers it back to the NHAI at zero cost. A BOT project may be of one of these three kinds:

  Toll-based: The contractor recovers its costs and earns its revenues by collecting toll on the route. Hence, the contractor takes the risk of traffic volume and toll rates and returns are linked to the collections.

  Annuity: The contractor receives periodic payments on a yearly or six-monthly basis from the Government, for a period of up to 15 years. The contractor has to maintain the road for this period, and then transfer it to the Government at zero cost. In this system, the Government / NHAI collect toll and the contractor's returns are independent of traffic volumes or toll rates.

Grant: This variant is a hybrid of the toll-based and annuity systems: the Government pays a capital grant for the difference between the BOT operator's return expectation and toll revenue. The grant is capped at 25% of the required funds, and may be either a one-time payment, or spread over a period of up to ten years, depending on the project. The bidding variable for such projects is the amount of the capital grant.

- Budgetary allocations from the Government: In an historic decision, the Government introduced a cess on both petrol and diesel in 1999. The amount raised by such cesses (at 1999 prices) was a total of approximately Rs. 20,000 million per annum. Further, Parliament decreed that the funds collected were to be set aside into a Central Road Fund ("CRF") to be exclusively utilized for the development of a modern road network. The developmental work that the CRF could be tapped to fund, and the agencies to whom the CRF was made available, were clearly defined as:
  - construction and maintenance of State highways by State Governments;
  - development of rural roads by State Governments;
  - construction of rail over bridges by Indian railways; and
  - construction and maintenance of National Highways by the NHAI and the Ministry of Road Transport and Highways.

  Today, the cess contributes between Rs. 500,000 million and Rs. 600,000 million per annum towards the NHDP.
- Loan assistance from international funding agencies: Loan assistance is available from multilateral development agencies like Asian Development Bank and World Bank, or other overseas lending agencies like Japanese Bank of International Cooperation.
- Market borrowing: NHAI proposes to tap the market by securities cess receipts.

(Source: NHAI website)

National Highways Development Project

In 2000, the Central Government initiated the National Highway Development Program or the NHDP, in an effort to improve highway infrastructure. The two key arterial highway network upgrade programs initiated in 2000 are now referred to as Phase I and II. Recently, the Government has added five additional phases that are expected to further upgrade about 45,000 kms of national highways or other road networks. Set forth below is a summary of the current plan to improve the national highway or other road networks as outlined in the present Government's first year performance review document:

Phase I: Phase I includes the Golden Quadrilateral (GQ) project connecting four metro cities, with a total length of approximately 5,846 kms. The total cost of the project is approximately Rupees 300 billion, funded largely by the Government's special petroleum product tax revenues and borrowings. About 90% of the Golden Quadrilateral had been completed by March 2006.

Phase II: North-South and East-West corridors comprising national highways connecting four extreme points of the country. The total length of the network is approximately 7,300 kms. As of April 2005, 812 kms (11%) of the project had been completed, while approximately 4,726 kms is under construction. Contracts for the balance of 1,762 kms were yet to be awarded as of such date. The official target for completing this project is December 2007 at a cost of Rupees 350 billion (US$8 billion), with funding similar to Phase I.

Phase III: The Government recently approved NHDP-III to upgrade 10,000 kms of national highways on a Build, Operate and Transfer (BOT) basis, which takes into account high-density traffic, connectivity of State capitals via NHDP Phase I and II, and connectivity to centres of economic importance. Phase III will be executed in two parts - 4,000 kms are scheduled for completion by December 2009 and 6,000 kms by December 2012.

Phase IV: The Government is considering widening approximately 20,000 kms of highway that are not part of Phases I, II or III. Phase IV will convert existing single lane highways into two-lanes with paved shoulders. The plan will soon be presented to the Government for approval.

Phase V: As road traffic increases over time, a number of four lane highways will need to be upgraded/expanded to six lanes. The current plan calls for upgrade of about 5,000 kms of four-lane roads, along the Golden Quadrilateral and the Government has already identified about 2,000 kms along the Golden Quadrilateral for initial development during the year 2005-06.

Phase VI: The Government is working on constructing expressways that would connect major commercial and industrial townships. It has already identified approximately 400 km of Baroda-Mumbai section that would connect to the existing Baroda-Ahmedabad section. The expressways will be funded on BOT basis. Additionally, in the budget, it has been stated that approximately 1,000 kms of expressways will be executed under Phase VI and six high density corridors are identified for carrying out feasibility study.

Phase VII: This phase calls for improvements to city road networks by adding ring roads to enable easier connectivity with national highways to important cities. In addition, improvements will be made to stretches of national highways that require additional flyovers and bypasses given population and housing growth along the highways and increasing traffic. The Government has not yet identified a firm investment plan for this phase.

Source: NHAI Website www.nhai.org accessed on April 16, 2006

Policy Initiatives for Attracting Private Investment

Government has taken several initiatives to encourage private investment in roads. Some of the key initiatives are as follows:

- Government to carry out initial preparatory work including land acquisition and utility removal. Right of way (ROW) to be made available to concessionaires free from all encumbrances.
- NHAI / GoI may provide capital grant up to 40% (maximum) of project cost to enhance viability on a case to case basis
- Tax benefits under Sec 80(IA)
- Concession period are generally allowed up to a maximum 20 years
- Duty free import of specified modern high capacity equipment for highway construction
- Government of India has approved 100% foreign direct investments for road and highway construction through the automatic route
- Planning Commission, NHAI and MORTH have initiated steps to modify the draft concession agreement to mitigate the traffic risks of toll based projects – concession agreement will be extended or reduced based on actual traffic

Key Growth Drivers for the Road Sector in India

- Scarcity of Quality Roads
- Strong Economic Growth
- Consistent Growth in Vehicles
- Growth in Tourism

Ports Sector

India has an extensive coastline of 6,000 kilometers, which is serviced by 13 major ports and 184 intermediate and minor ports. Ports are gateways to India's International trade by sea and handle almost 90% of India's foreign trade in terms of volume and 75% in terms of value are routed through the ports system. Indian ports handled a total traffic of 518 million tonnes in financial year 2005 with the ports in the western states of Gujarat and Maharashtra having a 42% market share. The volumes handled over the last five years are as follows:

(in million tonnes)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Major Ports Traffic	282.6	288.0	313.6	344.8	383.6
Minor Ports Traffic	87.4	95.5	108.1	118.9	134.7
Total Indian Port Traffic	370.0	383.5	421.6	463.7	518.3
Capacity of Major Ports	362.8	362.8	362.8	362.8	362.8
Capacity Utilization of Major Ports (%)	78%	79%	86%	95%	106%

(Source: Indian Ports Association)

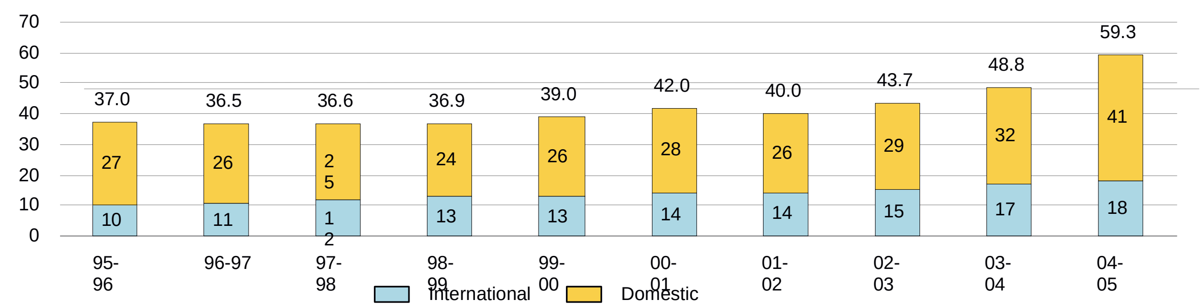
The GoI has decided to corporatise the major ports as well as privatize them in a phased manner. Almost all the major ports in India are in the public sector and currently lack commercial orientation because, in part, to a number of restrictions imposed by the central Government. This has led to corporatisation of ports as it ensures that the ports achieve a desirable level of autonomy and accountability. The GoI has privatized some of the berths in major ports specifically to handle containers. Some of them are as follows:

Port	Company	Container Terminal Operator
Major Ports		
Jawaharlal Nehru Port (JNPT)		
Berth 1	NSICT	P&O Ports Australia
Berth 3	GTL	AP Moller Terminals, Denmark
Chennai Port Trust	CCTL	P&O Ports, Australia
Tuticorin Port Trust	PSCTL	PSA International, Singapore
Vizag Port Trust	VGTPL	Dubai Ports International
Kochi Port Trust	IGTPL	Dubai Ports International
Minor Ports (both in Gujarat)		
Pipavav Port	GPPL	AP Moller Terminals, Denmark
Mundra Port	GAPL	P&O Ports, Australia

Civil Aviation

India is witnessing a boom in civil aviation. Air passenger traffic in India has been growing at a rapid pace, especially over the last three years. The following graph illustrates the growth in air passengers over the last decade.

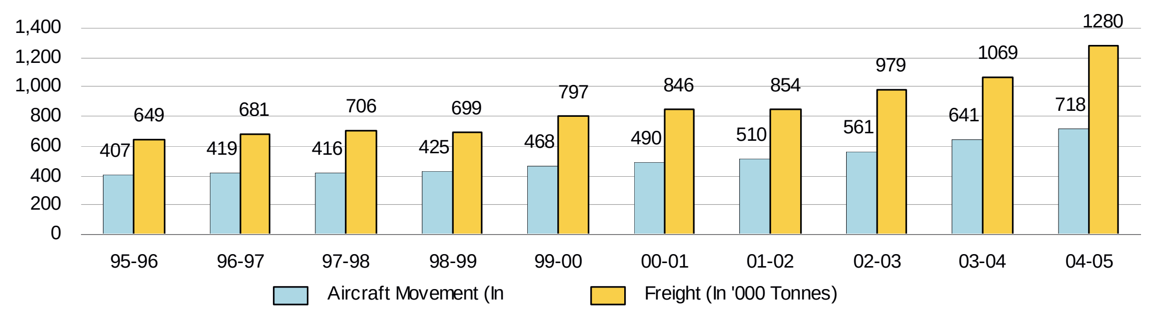
Air Passengers
(in millions)



Source: Airport Authority of India

The entry of several low-budget airlines has helped to reduce airfares generally and encourage upper middle-class persons who traditionally traveled by railway to switch to air travel. As a result of this factor and other factors, the number of air passengers has increased from 40 million in Fiscal 2002 to 59.3 million in Fiscal 2005, representing a CAGR of 14.0%.

Aircraft & Freight Movement



Source Airports Authority of India

The Government has identified the need to upgrade the country's airports and has proceeded with privatising the Mumbai and Delhi airports. To cater to demand, greenfield airports are currently under construction in Hyderabad and Bangalore. There are also proposals in place to build airports in Greater Noida, Nagpur, Navi Mumbai, Pune and Goa. In addition, expansion plans are in place for existing airports in various cities, including Kullu, Amritsar, Udaipur, Ahmedabad, Kolkata, Dabolim, Mangalore, Jaipur, Trichy, Chennai and Cochin.

Over the past couple of years positive developments in the sector have led to strong growth of the Civil Aviation sector:

- Abolition of IATT (Inland Air Travel Tax) and FTT (Foreign Travel Tax) on domestic and international fares respectively;
- International growth due to private airlines' overseas expansion plans;
- Open-sky policy during peak season;
- Review of existing Air Service Agreements and addition of new international routes;
- The progressive liberalization of bilateral agreements;
- The development of low cost carriers;
- Hike in FDI announced in the budget 2004-05 and
- In addition to the above, the construction of greenfield airports has the potential to enhance the growth further

Despite recent growth in air passenger traffic, India continues to have gross under penetration of air services with an average air travel of 0.014 trips per person per year as compared to an average of 2.02 trips per person per year in the United States. This signals the level of potential demand for engineering and construction activities, which may be generated as the economy grows.

Factors influencing Traffic

- Economic Growth
- Travel Liberalisation
- Tourism
- Tax abolitions
- Cheaper Fares

Special Economic Zones (SEZ)

A Special Economic Zone (SEZ) is an exclusive duty-free, license-free, entrepreneur-friendly and environmentally conducive enclave that is dedicated to foreign trade. The Special Economic Zone Act, 2005 was enacted to permit the setting up of SEZs in various parts of the country with a view to providing an internationally competitive and easy-to-manage environment for exports. Units may be set up in SEZs for the manufacture of goods and the rendering of services.

There are 14 functional SEZs in India. A number of private sector entities have indicated their interest in setting up SEZs across the country. Recently, the Government has granted approvals to 148 proposals to set up SEZs across various regions of India.

Irrigation and Water Supply

We expect that irrigation and water supply investments will be a major contributor to total infrastructure investment in the next three years. These projects are expected to be funded principally by State Government allocations. The key states leading in this industry sub-segment are Andhra Pradesh, Gujarat, Maharashtra, Karnataka and Uttar Pradesh. The State of Andhra Pradesh alone is expected to spend Rs. 460 billion over the next five years. (*Source*: *www.aponline.gov.in*). CRISINFAC expects that there will be substantial business opportunities in irrigation infrastructure in these states.

Water supply projects are primarily city specific, with the end-users being industrial and residential entities. According to the Economic Survey 2004-05, 89% and 63% of the urban population of India is reported to have access to water supply facilities and sewage and sanitation facilities, respectively. The Government's Tenth Plan emphasizes the need to provide for the creation of more of these infrastructure facilities and to increase coverage of the urban population with access to water supply facilities and sewage and sanitation facilities to 100% and 75%, respectively, by the end of the Tenth Plan period (i.e., March 2007). The funds required for this purpose are estimated to be over Rs. 530 billion. In addition, the increasing urbanization of India will lead to increased demand for water supply and sewage services in the urban areas, creating ongoing opportunities for construction companies in this segment.

Bharat Nirman

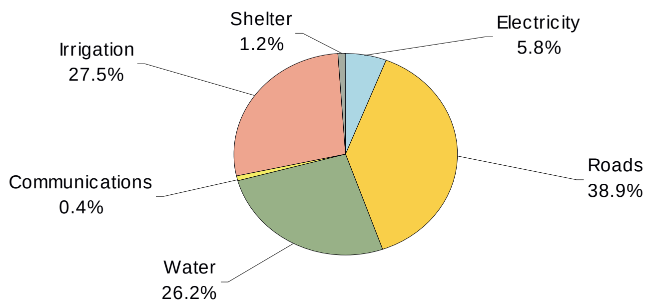
"Bharat Nirman will be a time-bound business plan for action in rural infrastructure for the next four years. Under Bharat Nirman, action is proposed in the areas of irrigation, road, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. We have set specific targets to be achieved under each of these goals so that there is accountability in the progress of this initiative."

- Dr. Manmohan Singh, Prime Minister, India, quoted in the Bharat Nirman literature.

The key goals of this initiative are to provide electricity to 125,000 villages and 23 million households, to construct 146,185 kilometers of all-weather roads, to provide access to safe drinking water to 55,067 habitats, to connect 66,822 villages by telephone, to increase irrigational capacity by 10 million hectares and to construct 6 million dwellings for the rural poor.

The following graph shows the estimated breakdowns of investments across various goals under the Bharat Nirman initiative.

Bharat Nirman – Breakdown of Investment across sectors*



Source: www.bharatnirman.gov.in

Jawaharlal Nehru National Urban Renewal Mission (JU-NURM)

India's urban centres are home to approximately 30% of the country's population, but contribute 55% of the country's GDP. The JU-NURM aims to encourage cities to initiate steps to bring about improvements in public service levels in a financially sustainable manner. The key objectives of the JU-NURM are:

- Integrated development of urban infrastructure services;
- Acceleration of the flow of investments into urban infrastructure services;
- Planned development of cities, including the peri-urban areas, outgrowths and urban corridors;
- Renewal and redevelopment of inner city areas;
- Universalisation of urban services so as to ensure their availability to urban poor; and
- Securing of linkages between asset creation and maintenance for long-run project sustainability.

According to the Economic Survey 2005-06, the Government has agreed to provide Rs. 500 billion as Central Assistance for JU-NURM for a period of seven years beginning in fiscal 2006.

Interlinking of Rivers

The national river-linking project of the Government proposes to link 14 Himalayan rivers in the north to the 16 peninsular rivers in the south through 30 links. The project is expected to create 34 million hectares of irrigable land and potable water for rural and urban areas and industries. Additional benefits include inland navigation, ecological upgrades due to minimum flow guarantee in rivers, sizeable employment generation, flood and drought mitigation, increased tree farming and many other indirect benefits.

Real Estate

The Real Estate Sector In India

The term 'real estate' sector covers residential housing, commercial offices, trading spaces such as theatres, hotels and restaurants, retail outlets, industrial buildings such as factories and Government buildings. Real estate involves the purchase, sale and development of land, residential and non-residential buildings. The activities of the real estate sector encompass the housing and construction sector also. Over 90% of the real estate developed is residential and the rest comprises commercial and retail.

Real estate is a major employment driver, being the second largest employer, next only to agriculture. This is because of the chain of backward and forward linkages that the sector has with other sectors of the economy. About 250 ancillary industries such as cement, steel, brick, timber, building materials etc. are substantially dependent on the real estate industry. A unit increase in expenditure in this sector has a multiplier effect and the capacity to generate income as high as five times. Contribution of housing and real estate to India's GDP is a meager 1% against 3 - 6% of developing countries. If the economy grows at the rate of 10%, the housing sector has the capacity to grow at 14% and generate 3.2 million new jobs over the next 10 years.

(*Source: Integrated Databases India Limited)*

Historically, the real estate sector in India was unorganised and characterised by various factors that impeded organised dealing, such as the absence of a centralised title registry providing title guarantee, lack of uniformity in local laws and their application, non-availability of bank financing, high interest rates and transfer taxes, and the lack of transparency in transaction values. In recent years however, the real estate sector in India has exhibited a trend towards greater organisation and transparency, accompanied by various regulatory reforms.

These reforms include:

- Government support for the repeal of the Urban Land Ceiling Act, with nine State Governments having already repealed the Act
- Modifications in the Rent Control Act to provide greater protection to homeowners wishing to rent out their properties
- Rationalization of property taxes in a number of states
- The proposed computerisation of land records
- Changes in the Foreign Direct Investment (FDI) Policy

Introduction of Real Estate Venture Capital Funds

The trend towards greater organisation and transparency has contributed to the development of reliable indicators of value and the organised investment in the real estate sector by domestic and international financial institutions, and has also resulted in the greater availability of financing for real estate developers. Regulatory changes permitting foreign investment are expected to further increase investment in the Indian real estate sector. The nature of demand is also changing, with heightened consumer expectations that are influenced by higher disposable incomes, increased globalisation and the introduction of new real estate products and services.

In the last three years, the construction activity in the real estate sector continued to be buoyant, after returning to normalcy in 2001. Rising demand from technology sectors, demographic shift (increasing disposable incomes and urbanisation), suburban developmental models and favourable Government policies have changed the face of the real estate construction sector. The housing boom has continued, despite a marginal firming up of the interest rate on housing loans *(Source: CRIS INFAC Construction Annual Review February 2006).*

Residential Real Estate Development

The housing construction activity has been on the upswing for the past five years, aided by population growth and urbanization. Moreover, it has observed that the boom is localised to the organized urban housing segment, extending to the relatively prosperous rural belts. This growth is driven by factors like nuclearisation and reduction of average size of household, easy availability of housing finance and a favourable tax regime and conversion from slum, kutcha or semi-pucca in urban areas to pucca non-slums.

According to CRIS INFAC, the residential sector is expected to continue to demonstrate robust growth over the next five years, helped by rising penetration of housing finance and favourable tax incentives. It has estimated the number of housing stock in 2003-04 at 197 million and close to 4.7 million new houses were added to this stock in 2004-05. This number is expected to at a CAGR of 2.4% over the next 5 years to reach 5.27 million new houses in 2009-10.

(*Source: CRIS INFAC Construction Annual Review February 2006)*

The tenth five year plan estimated a shortage of 22.4 million dwelling units. Thus, in coming 15 to 20 years, 80 to 90 million housing units will have to be constructed with a majority catering to the low-income group. The investment required for constructing these and related infrastructure in this period would, thus, be of the order of $666 billion to $888 billion at approximately US$33 billion to US$44 billion per year. This rise in demand may be attributed to the large and growing middle class population of about 300 million people.

(Source: Integrated Databases India Limited)

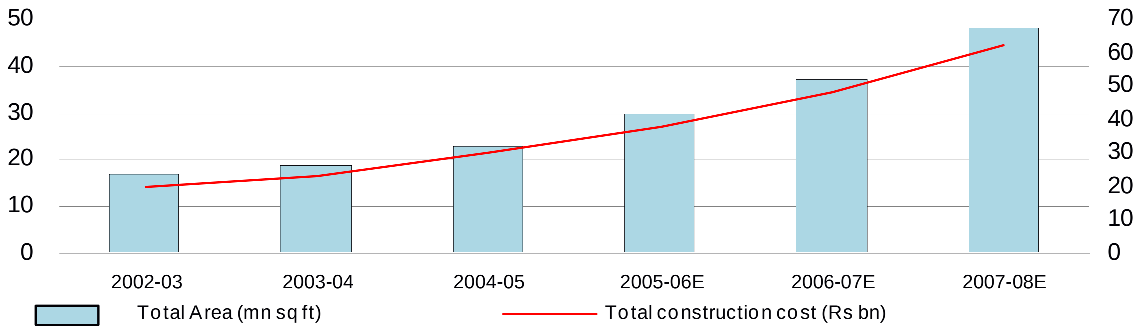
Commercial Real Estate Development

Commercial construction comprises office space construction, hospitals, schools etc. In India, most of the investment in this segment is driven by office space construction. Within office space construction activity, almost 70% to 75% of the demand comes from Information Technology, Business process outsourcing and call centres. The other key demand drivers include banking and financial services, fast-moving consumer goods and telecom. This dependency is expected to continue due to India's emergence as a preferred outsourcing destination, despite China and Russia also emerging as strong contenders.

According to CRIS INFAC, in the last 4 years, while the IT sector continued to grow at a healthy rate, the IT enable services sector experienced a 48% growth. According to CRISINFAC ITES revenues are expected to grow at a CAGR of 30% to reach $19.7 billion in 2009-10 and the IT service industry is expected to have export revenues of US$28.5 billion by 2008-09, growing at a CAGR of 26%.

The growth in the sector should translate into substantially higher demand for commercial space. CRIS INFAC believes the growth in IT/ITES is likely to translate construction investments of Rs 148 billion (118 million sq. ft.) by 2007-08 as compared with investments of Rs 74 billion (61 million sq. ft.) in the last three years. The investments are based on the manpower/ workspace requirement in the sector.

Office Space Construction by IT/ITES



Currently, almost 60% of growth is concentrated in Bangalore, Chennai and Hyderabad. Traditional infotech cities such as Bangalore, Mumbai and Delhi (the national capital region) are leading the race, adding millions of square feet of quality office space. An increase in activity is also seen in other cities such as Pune, Hyderabad, Chennai, Kolkata, Thiruvananthpuram and Chandigarh.

(*Source: CRIS INFAC Construction Annual Review February 2006)*

Retail Real Estate Development

CRIS INFAC estimates that retail spending in India in fiscal 2005 was Rs. 9.9 trillion, of which organised retail accounted for Rs. 349,000 million, or approximately 3.5%. The organised retail segment in India is expected to grow at a rate of 25% to 30% over the next five fiscal years. The growth of organised retail is expected to be driven by demographic changes, the change in the perception of branded products, the growth in retail malls, the entry of international players and the availability of relatively low interest rate finance.

CRIS INFAC believes the current increase in mall construction activity across India will result in around 105 million sq. ft. of mall space by 2010. This would translate into construction investment of Rs 112, 000 million over the next 5 years.

The major organised retailers in India currently include Tata-Trent, Pantaloon, Shopper's Stop and the RPG Group. While organised retail has so far been limited to larger cities in the country, retailers have announced major expansion plans in smaller cities and towns. The growth of organised retail in India will also be affected by the reported entry into the sector of major business groups such as Reliance, Bennett & Coleman, Hindustan Lever, Hero Group and Bharti. International retailers such as Metro, Shoprite, Lifestyle and Dairy Farm International have already commenced operations in the country. CRIS INFAC estimates that real estate development in the organised retail sector will require investment of Rs. 31 billion per year over the next five years.

(*Source: CRIS INFAC Construction Annual Review February 2006 & CRIS INFAC Relating Annual Review September 2005)*

Industry Characteristics

The real estate industry has the following characteristics:

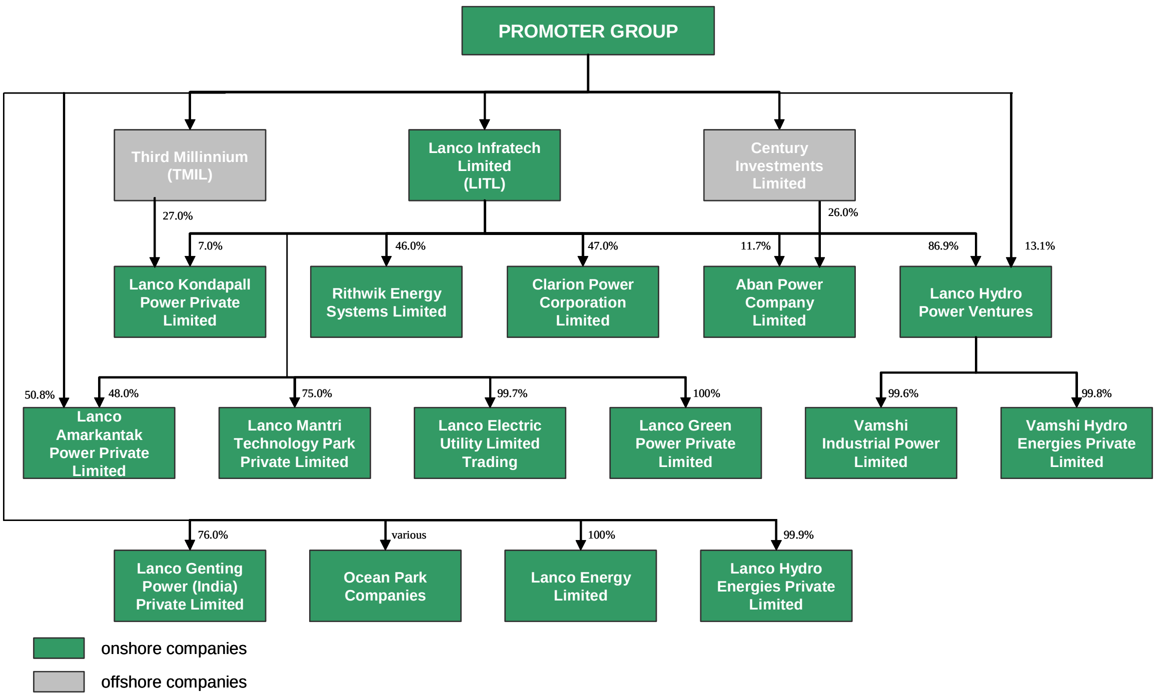
- Capital structure: Construction activities are often funded by the client who may make cash advances at different stages of construction.
- Higher margin in commercial properties: Generally, a commercial project yields higher operating profit margins than a residential project.
- Leasing is an option for commercial properties: Unlike the residential properties (which are sold outright), commercial space is either leased or sold outright. Under the leasing option, the lease rentals received from tenants form a source of recurring cash flow for the developer. This apart, the property rights remains with the developer, enabling the property to be disposed of subsequently, if required.
- Contingent liabilities: Due to project based type of work, real estate companies often carry substantial contingent liabilities in the form of guarantees in order to comply with specific client requirements.
- Development risks: Profitability on each project is subject to problems on mis-pricing, adverse conditions, geological conditions, management of specification changes and the outcome of claims on competitions. As per AS-7 of the Indian accounting standards, construction companies are required to recognize all losses incurred and foreseeable in the respective accounting period.
- Credit risk: The strength of clients on whom the receivables are being generated is important. Real estate developers usually secure project advances from clients to keep them committed to the projects.

REORGANISATION

In May 2006, we commenced a reorganisation of our Company, in order to consolidate the power, construction and property development assets of the Promoter Group companies and the Lanco Group under one holding company. Prior to the reorganisation, the shareholdings of LKPPL, APCL, RESL, CPCL, GLPPL, LAPPL, LEPL, LGPPL, LHPVL (which owns 99.6% of VIPL and 99.8% of VHEPL and 99.9% of LHEPL) and the Ocean Park Companies were spread across various entities within the Promoter Group and Lanco Group. Further, the Promoter Group companies (including LITL) collectively held 37.7% and 33.9% of APCL and LKPPL, respectively, with the remaining shares held by our partners in these projects. In order to achieve the reorganisation, LITL acquired or subscribed to the equity shares of APCL, LKPPL, LGPPL, LAPPL, LHPVL, RESL, CPCL, LHTPPL and the Ocean Park companies from other Promoter Group companies. LITL also acquired 13.3% equity shares of APCL from Aban Ventures. As part of the reorganisation, we also allotted 10,637,144 equity shares of LITL, par value Rs. 10.0 each, to Lanco Group Limited at a premium of Rs. 170.0 per share, which was completed on June 7, 2006. We have entered into a share purchase agreement with Globeleq to buy its 25.1% equity stake in LKPPL by October 8, 2006 (the "Payment Date"), upon payment of a consideration of US$30 million (approximately Rs. 1,394.7 million) plus interest for the period from the Payment Date until the actual payment is made. Purchase of Globeleq's share would increase our equity interest in LKPPL to 59%, and as a result, LKPPL's financials will be consolidated with our financials). In addition, we have also entered into an agreement to subscribe up to 74.0% of the share capital of NPCL, subject to financial closure of the Nagarjuna Power Project. The following charts summarise the structure of LITL pre and post- reorganisation:

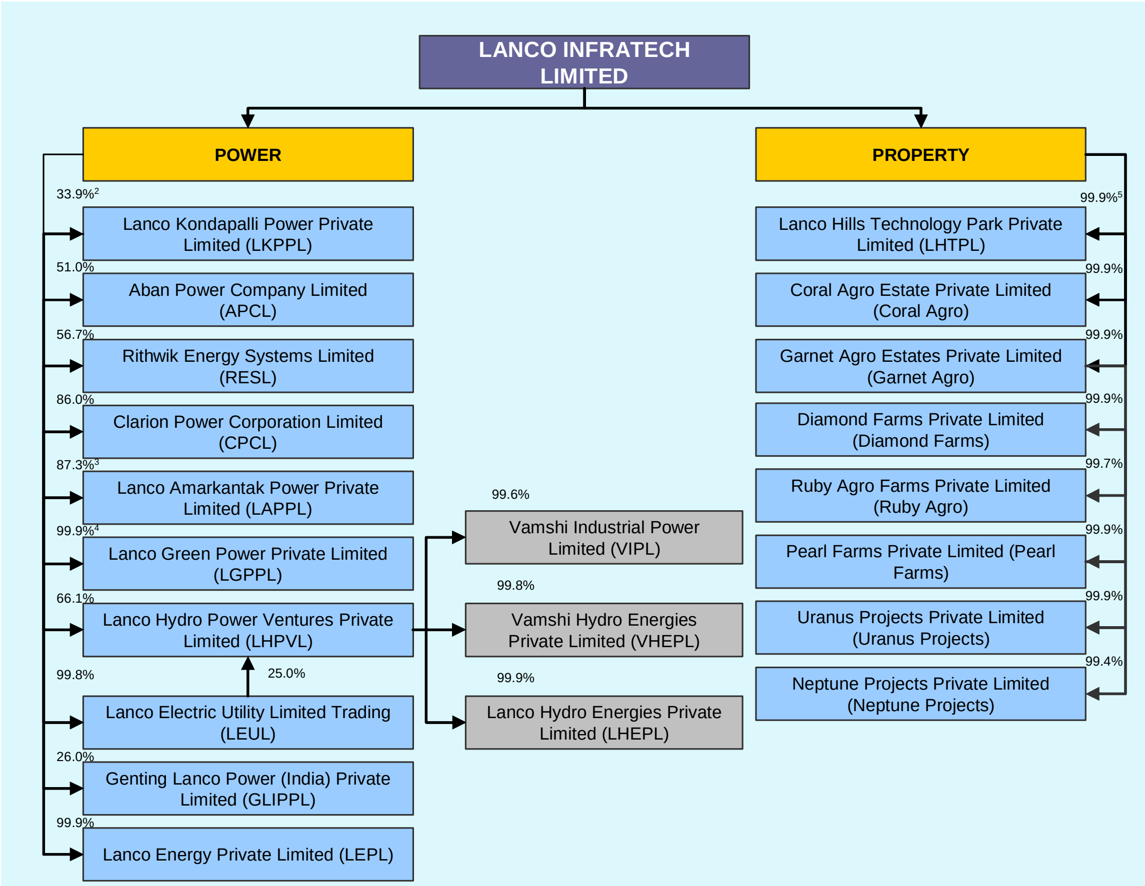
As of May 31, 2006

(Pre- Reorganisation)



As of October 9, 2006

(Post-Restructuring)



Notes:

1. LKPPL, APCL, RESL, CPCL and LEUL are operating assets. All others are in various stages of development.
2. We have entered into an agreement to purchase 25.1% equity stake of LKPPL by October 8, 2006 (the "Payment Date"), upon payment of a consideration of US$30 million (approximately Rs. 1,394.7 million) plus interest for the period from the Payment Date until the actual payment is made, if the closing is not completed by the Payment Date.The closing has not been completed as of the date of this Red Herring Prospectus and is further subject to certain approvals from regulatory authorities and the existing shareholders of LKPPL. For further detail, please see "History and Corporate Structure – Shareholders and JV Agreements" on page 123 of this Red Herring Prospectus.
3. The Company currently owns 87.27% of LAPPL and proposes to own 76%. For further details, please refer to the section titled "History and Corporate Structure – Shareholders and JV Agreements" on page 123 of this Red Herring Prospectus and "Our Business – Our Power Business – Lanco Amarkantak Power Project"on page 76 of this Red Herring Prospectus .
4. Under the Implementation Agreement for the Lanco Green Power Project, our ownership interest in LGPPL will be diluted to 90.0%. Please see the section titled "Our Business – Our Power Business – Lanco Green Power Project"on page 78 of this Red Herring Prospectus .
5. We propose to reduce our shareholding in LHTPPL to 74.0%. For further details, please refer to the section titled "Outstanding Litigation and Defaults – A. Lanco Infratech Limited – Cases against the Company – Miscellaneous Cases", on page 250 of this Red Herring Prospectus.
6. We have entered into an agreement to subscribe to a minimum of 74.0% equity stake of NPCL, subject to financial closure. Please see "Our Business – Our Power Business - Nagarjuna Power Project" on page 75 of this Red Herring Prospectus.

OUR BUSINESS

Overview

We are an infrastructure development company in India with interests in power, construction and property development. We currently own 11 power projects (of which five are in operation and six are under development) with current operating capacity of 149.75 MW in operation and 1,260.0 MW under development. We currently own 33.9% of LKPPL, which owns and operates the Kondapalli Power Plant, and have agreed to acquire an additional 25.1% equity stake from Globeleq. We expect to complete the acquisition by the quarter ending December 31, 2006. The Kondapalli Power Plant has an operating capacity of 368.1 MW. We also have a right to subscribe up to 74.0% of the share capital of NPCL upon achieving financial closure of the Nagarjuna Power Project prior to March 31, 2007. The Nagarjuna Power Project is expected to have an operational capacity of 1,015.0 MW. Our power assets consist of gas, bio-mass, hydro, coal (indigenous and imported) and wind-based power plants. We also have interests in power trading in India and commenced power trading operations in January 2006. In the construction business, we have experience in the execution of several power projects, transportation networks, water supply works, and commercial and residential building complexes. These projects include the coffer dam for the Tehri Dam project, the Veeranam Water Supply project, modernisation of an 825-bed hospital for the Indian Navy in Mumbai, a cable-stayed flyover in Navi Mumbai, and construction of the Kondapalli Power Plant and the Aban Power Plant. We are currently involved in construction projects in relation to power projects, highways and a telephone exchange. In the property business, we own or have won bids to develop approximately 19.5 million square feet of saleable area, including a 100.0 acre integrated IT park and township and a 21.8 acre residential development, both located in Hyderabad. Our services cover all stages of development of our projects, including the supervision of construction services, financing and operations.

Our promoters are Mr. L. Madhusudhan Rao, Mr. G. Bhaskara Rao, Mr. L. Sridhar, Prince Stone and LGL.

In order to consolidate the power, construction and property development business of the Promoter Group companies and the Lanco Group under one holding company, we commenced a reorganisation in May 2006, pursuant to which, we acquired a controlling interest in 19 entities from the Promoter Group. Subsequently, we also acquired a 13.3% equity stake of APCL from Aban Ventures, which combined with the 37.7% interest of the Promoter Group and Lanco Group, gave us a controlling interest in APCL. As a consequence, these entities became our consolidated Subsidiaries. Also as part of the reorganisation, LKPPL is expected to become a consolidated Subsidiary of LITL by the quarter ending December 31, 2006 following the proposed acquisition of an additional 25.1% interest from Globeleq for US$30.0 million (approximately Rs. 1,394.7 million) plus interest for the period from October 8, 2006 ("Payment Date") until the actual payment is made, if the closing is not completed by the Payment Date. The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to Government approval and the consent of the other shareholders of LKPPL. The purpose of the reorganisation and consolidation of the power and property development businesses into LITL is to derive synergies from operating across various businesses in infrastructure development.

We currently operate three different businesses within infrastructure development, namely, power, construction and property development. The power business is expected to contribute significantly to our income and profits in the near future. The property development business is still in the early stages of growth. We operate our construction business through LITL. In the years ended March 31, 2004, 2005 and 2006, LITL's total consolidated income was Rs. 1,307.7 million, Rs. 1,852.9 million and Rs. 1,483.9 million, respectively, and LITL's net profit after taxation, minority interest and share of profits of associates was Rs. 70.7 million, Rs. 92.5 million and Rs. 170.7 million, respectively. In the quarter ended June 30, 2006, LITL's total consolidated income was Rs. 1,109.6 million and net profit after taxation, minority interest and share of profits of associates was Rs. 130.6 million. We operate our power business through individual project companies that are consolidated Subsidiaries of LITL.We expect LKPPL and APCL to contribute a significant portion of our revenues going forward. APCL commenced operations in August 2005 and had a total income and profit after taxation for the period from August 11, 2005 to March 31, 2006 of Rs. 983.5 million and Rs. 33.5 million, respectively. APCL's results of operations were consolidated with LITL's results of operations for the quarter ended June 30, 2006 with effect from June 7, 2006. APCL's total income and profit after taxation for the quarter ended June 30, 2006 was Rs. 375.4 million and Rs. 8.7 million respectively. Also, in the years ended March 31, 2004, 2005 and 2006, LKPPL's total income was Rs. 5,625.3 million, Rs. 5,681.2 million and Rs. 5,650.5 million, respectively and profit after taxation was Rs. 599.9 million, Rs. 1,077.1 million and Rs. 1,067.9 million, respectively. For the quarter ended June 30, 2006, LKPPL's total income was Rs. 1,437.1 million and profit after taxation was Rs. 247.7 million.

All of our businesses are located in India, and all of our investments are in companies that operate businesses in India. Historically, in the power sector, we have been most active in Southern India, in the states of Andhra Pradesh, Tamil Nadu and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Amarkantak, in the State of Chhattisgarh (where we are developing a coal-based power plant) and in the states of Uttaranchal, Himachal Pradesh and Sikkim (where we are developing hydroelectric power plants). Recently in September 2006, we won the bid to develop and operate the coal-based Anpara "C" power plant in the State of Uttar Pradesh. While we plan to capitalise on our belief that India will continue to experience strong and growing demand for power and urban infrastructure, we also intend to pursue suitable opportunities to acquire assets in other parts of Asia.

Our Competitive Strengths

- **Our experience in the construction business and acquisitions and implementation of power projects enables us to identify and successfully execute projects.** We believe our experience in the infrastructure sector and our industry knowledge allows us to identify and evaluate new projects effectively. Our experience in diverse projects helps us to assess risks and the potential returns of a project. For example, in the power business, we identified and are developing various hydroelectric power projects in order to benefit from cheaper, more readily available and environmentally friendly fuel. We believe that we have earned a reputation for reliability and completing projects on schedule within the sectors in which we operate and among our customers. In addition, our experience, among other factors, helps us to pre-qualify for large projects.
- **We maintain operations in diverse businesses, which reduces our dependence on any one area of the infrastructure business.** We currently operate in the power, construction and property development sectors. In the power sector, we operate, or are commencing operations of, gas, bio-mass, hydro, coal and wind-based power plants. In the construction sector, we provide construction services for various types of civil construction and infrastructure projects, including power plants, irrigation and water supply projects, transportation engineering projects, commercial and residential buildings, mass housing projects and townships, industrial structures, corporate offices and hospitals. In the property business, we propose to develop IT parks and residential and commercial projects. This variety of project types enables us to keep our business diversified and reduces our dependence on any one segment, while providing us with an opportunity to participate in the overall growth in the Indian infrastructure sector. In addition, we have, or will have, operations across eight states in India.
- **We have the ability to undertake projects on both turnkey and design-build basis.** In addition to routine construction projects, we undertake projects on a turnkey basis, in which we provide a range of specialised construction and operational services including electrical, fire prevention and control, plumbing, air conditioning and other civil works. We also provide design-build services to clients in various segments. In design-build projects, we typically design or oversee the design of the project by third-party service providers according to the client's requirements. When such projects require capabilities that we cannot provide, we outsource such functions to third-party service providers. Our experience in executing turnkey and design-build projects demonstrates our ability to provide a variety of services to clients and accordingly, enables us to pre-qualify for significant projects in which clients seek such solutions. For example, we believe we were pre-qualified for, and later awarded, the Hyderabad Property Project, in part, due to the strength of our experience in performing turnkey and design-build projects.
- **We benefit from the use of the Lanco brand.** We are the flagship company of the Lanco Group. Our affiliates have been operating in India for over 40 years in a wide variety of businesses, including manufacturing, construction, IT and IT-enabled services and power. Due to the long-standing history of the Lanco group of companies in India, we believe that the Lanco brand enjoys brand recognition in India. We position our brand to be associated with reliability, trust and value. We currently use the Lanco brand in each of our power, construction and property development businesses. Please see "Risk Factors – We do not own the "Lanco" trademark or logo used in all of our businesses" on page xxxi of this Red Herring Prospectus.
- **We have entered into strategic and financial partnerships with leading international firms and have strong relationships with leading Indian financial institutions.** We believe that one of our strengths stems from the knowledge and experience gained from the long operating history of the Lanco Group, as well as good working relationships we have established with government entities and international corporations. In the power sector, we have worked, or are currently working, with Genting Group (Malaysia), Doosan Engineering (Korea) and General Electric Company. We established a relationship with Globeleq, a large infrastructure-focused private equity fund in the UK, through its purchase of a 25.1% interest in our power subsidiary, LKPPL. For our construction projects, we have had strategic partnerships with Hyosung – Ebara Company Limited, Voist-Alpine Tech Wabagh (India) and Punchak Niaga Holdings Berhad Malaysia. For the LAPPL project, DEG subscribed to 11.76% of the equity share capital of LAPPL. Given that our affiliates have operated in various industries in India for over two decades, many of the leading Indian financial institutions have worked with, or are otherwise familiar with, the Lanco group of companies. We believe our good working relationships with international corporations and Indian financial institutions, as well as Lanco Group's extensive experience in working with them, enhance our ability to find strategic partners and raise funding.
- **We have a qualified and experienced employee base and proven management team.** We believe that a well-trained, motivated and satisfied employee base is key to our business. As of October 9, 2006, we employed 361 full-time employees, including two of our Promoters as Directors on our Board. We believe the skill sets of our employees give us the flexibility to adapt to the needs of our clients and help satisfy the technical requirements of the various projects that we undertake. We are committed to develop the expertise and know-how of our employees through regular technical seminars and

training sessions. Our management team is well qualified and experienced in the construction and power industry and has been responsible for the growth of our operations. We have recently expanded our Board by appointing five independent Directors whom we believe will provide us with significant business experience as well as strengthen corporate governance.

Our Business Strategy

Our strategy is to build upon our competitive strengths and business opportunities to become a leading integrated infrastructure group in India. Our business strategy consists of the following principal elements:

- **Capture the high growth opportunities in the Indian infrastructure sector.** We believe that the increasing levels of investment in infrastructure by governments and private industries will be a major driver for growth in our business in the foreseeable future. Additionally, the GoI has taken steps to encourage additional investments in infrastructure, such as formulating plans to create SEZs in various areas of India and providing economic benefits to private sector participants for projects executed on a BOT or annuity basis. We intend to take advantage of the growing opportunities in infrastructure development by strengthening our existing expertise in the power, construction and property development businesses and identifying new prospects for growth. For example, in the power sector following our recent acquisition of APCL and assuming completion of our planned acquisition of LKPPL, we intend to build a stable stream of revenues from power plants by developing and operating nine new power plants, which include coal (both indigenous and imported) and hydroelectric power plants. We also recently entered the power trading business and are looking for opportunities to integrate downward by entering into power transmission and power distribution. In the construction business, we intend to leverage our past experiences and financial position to partner with larger national and international companies to bid for and participate in larger and more profitable projects.
- **Identify new investment opportunities in the property development sector.** We currently own or have won bids to develop approximately 19.5 million square feet of saleable area. We propose to develop an integrated IT park and township in Hyderabad based on a "Walk to Work" concept. We intend to identify and develop more signature projects with similar concepts. We have a dedicated and experienced infrastructure team to identify projects that can be developed using our expertise in constructing medium to large size integrated townships.
- **Consolidate our position in the civil construction sector.** We believe we are one of the well established players in the Indian civil construction business, having demonstrated an ability to undertake a wide range of construction projects, including high-end residential projects, mass housing projects, hospitals, corporate offices and industrial buildings. We intend to continue to target additional opportunities and pursue more technically complex projects in the civil construction sector, including turnkey and design-build projects, to maintain and build on our market position. We also intend to expand our client base for civil construction projects by bidding for and acquiring more projects offered to private sector entities in India.
- **Leverage our experience in the infrastructure sector to further our property development business.** Through our construction business and recently acquired power business, we have acquired skills and experience, as well as business relationships, many of which we believe can be applied to the development of projects in the same and other sectors. For instance, we have acquired substantial experience in construction risk allocation and mitigation, as well as raising debt financing for our projects from financial institutions and commercial banks on competitive terms. We intend to apply these skills and experience to the development of projects in the same and other sectors, including the Hyderabad Property Project and the Ocean Park Property Project that we propose to develop.
- **Improve performance and competitiveness of existing core businesses.** In addition to growth through expansion, we seek to improve the performance and competitiveness of our existing businesses. For the power business, in order to allow us to generate electricity at a lower cost and reduce our reliance on any one type of fuel, we are developing coal-based (both domestic and imported) and hydroelectric power plants. For the construction business, we are focusing on improving our profit margin by reducing costs through efficient project management. We also intend to increase our profitability by bidding for the development of new infrastructure projects on a BOT basis. We believe BOT contracts generally provide better operating margins than other construction contracts because of the added overall control of project costs that can be exerted by the contractor. Additionally, we believe BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of assets. We intend to increase our focus on BOT and annuity projects by leveraging our technical and financial credentials, including our improved equity position following the Issue. We also expect reducing our leverage will improve our ability to partner or form strategic alliances with corporate developers and domestic and international financial institutions. For the property development business, we plan to pursue joint venture development projects to maximise capital allocation and use our capital resources to build up our land banks. We also intend to build our marketing experience by forming associations with international marketing organisations to enable us to expand our marketing reach across India and internationally.

Our Power Business

Overview of Business

We currently operate five power plants, a 368.1 MW multi-fuel combined cycle power plant in Kondapalli in the State of Andhra Pradesh, a 119.8 MW gas-based combined cycle power plant in Tanjore district in the State of Tamil Nadu, a 12.0 MW bio-mass power plant in Prakasam district in the State of Andhra Pradesh, a 6.0 MW bio-mass power plant in Chittoor district in the State of Andhra Pradesh, and a 3.0 MW wind-based power plant in Chitradurga district in the State of Karnataka.

We have also won, through competitive bidding processes and acquisitions, concessions to develop and operate a 1,015.0 MW coal-based power plant in the State of Karnataka, a 70.0 MW hydroelectric power plant in the State of Himachal Pradesh, two 35.0 MW hydroelectric power plants in the State of Uttaranchal and two 5.0 MW hydroelectric power plants in the State of Himachal Pradesh. We have a licence to develop and operate a 2 x 300.0 MW coal-based power project in the State of Chhattisgarh and a 500.0 MW hydroelectric power plant in the State of Sikkim. In addition, we have submitted proposals to develop, on a self-identified basis, 21 projects of 5.0 MW each in the State of Himachal Pradesh. We have recently commissioned wind-based power plants of 8.75 MW in the State of Tamil Nadu. We have also recently won the bid for the 2 x 500.0 MW coal-based Anpara "C" power plant in the State of Uttar Pradesh and are currently in the process of finalising the agreements for this project. We have also recently signed a memorandum of understanding with the government of Orissa to set up a 1,320.0 MW (2 x 660.0 MW) plant in the State of Orissa.

We seek to expand our power business primarily through organic growth. We expect that our future focus will be on coal-based power projects and hydroelectric power projects, as such projects should help us diversify our portfolio of power assets and so make us less susceptible to increases in gas prices. In addition, we believe coal-based and hydroelectric power plants are able to generate electricity at a lower cost than gas-based power plants, which makes them more competitive over a long period of time. We will also seek to expand our power business through acquisition, if we are able to identify suitable opportunities. We have recently been qualified to bid for two Ultra – Mega Power Projects, that is, power projects with capacity of 4,000 MW each, in Sasan, Madhya Pradesh and Mundhra, Gujarat. We have bid as a consortium with Globeleq and SNC Lavalian, respectively, as our partners for these projects. We are required to submit our bids by November 2006. We have also submitted our technical qualification bid for another Ultra-Mega Power Project in Krishnapatnam in the State of Andhra Pradesh.

The following table summarises certain of the key features of the Kondapalli Power Plant, Aban Power Plant, Nagarjuna Power Project, Clarion Power Plant, Rithwik Power Plant, Chitradurga Power Plant, Lanco Amarkantak Power Plant, Teesta VI Power Project, Uttaranchal Power Projects, Lanco Green Power Project, Vamshi Industrial Power Project, Vamshi Hydro Power Project and the wind-based power projects in the State of Tamil Nadu. This table is only a summary and is qualified by reference to the detailed provisions of the relevant agreements.

Facility	Kondapalli	Aban	Nagarjuna	Lanco Amarkantak	Teesta VI	Lanco Anpara[3]	Lanco Green	Uttaranchal	Clarion	Vamshi Industrial	Vamshi Hydro	Rithwik	Chitradurga	Wind-power plants based
Owner	Lanco Kondapalli Power Private Limited	Aban Power Company Limited	Nagarjuna Power Corporation Limited	Lanco Amarkantak Power Private Limited	Lanco Energy Private Limited	Lanco Anpara Power Private Limited	Lanco Green Power Private Limited	Lanco Hydro Energies Private Limited	Clarion Power Corporation Limited	Vamshi Industrial Power Limited	Vamshi Hydro Energies Private Limited	Rithwik Energy Systems Limited	Lanco Infratech Limited	Lanco Infratech Limited
Location	Vijayawada, Andhra Pradesh	Tanjore, Tamil Nadu	Mangalore, Karnataka	Korba, Chhattisgarh	Teesta, Sikkim	Sonebadh, Uttar Pradesh	Budhil, Himachal Pradesh	Uttaranchal	Ongole, Andhra Pradesh	Himachal Pradesh	Himachal Pradesh	Chittor, Andhra Pradesh	Chitradurga, Karnataka	Tamil Nadu
Specifications														
Gross Capacity	368.1 MW	119.8 MW	1,015.0 MW	600.0 MW	500.0 MW	1,000 MW	70.0 MW	70.0 MW	12.0 MW	10.0 MW	10.0 MW	6.0 MW	3.0 MW	7 x 1.25 MW
Contracted Capacity[1]	355.0 MW	113.2 MW	2 x 507.5 MW	2 x 300.0 MW	2 X 250.0 MW	2 x 500.0 MW	2 x 35.0 MW	70.0 MW	12.0 MW	2 x 5.0 MW	2 x 5.0 MW	6.0 MW	3.0 MW	7 x 1.25 MW
Type	Gas-based combined cycle power plant	Gas-based combined cycle power plant	Imported coal-based power plant	Coal-based power plant	Hydroelectric power plant	Coal-based power plant	Hydroelectric power plant	Hydroelectric power plant	Bio-mass power plant	Hydroelectric power plant	Hydroelectric power plant	Bio-mass power plant	Wind-based power plant	Wind-based power plant
Commercial Operation Date	October 2000	August 2005	Expected by December 2009	Phase I expected by April 2008 and Phase II expected by October 2008	Expected by December 2009	Expected by April 2010	Expected to be by April 2008	Expected by April 2009	January 2004	Expected to be by April 2008	Expected to be by April 2008	September 2002	March 2002	September 2006
PPA Features														
Offtakers	APPCC	TNEB	Principal Buyers (as defined below)	PTC India Limited	To be determined	UP Discoms	PTC India Limited	To be determined	APTRANSCO	PSEB	PSEB	APTRANSCO	KPTCL	TNEB
Expires	2015	2020	25 years from commencement of operations	25 years from commencement of operations	35 years from c commencement of operations	29 years from date of execution of project documents	35 years from commencement of operations	To be determined	2024	35 years from commencement of operations	35 years from commencement of operations	2022	20 years from the commercial operation date	2026
Minimum Take-or-Pay Quantity	80.0%	85.0%	80.0%	80.0%	90.0% dependable year	80.0%	90.0% dependable year	90.0% dependable year	80.0%	75.0% dependable year	75.0% dependable year	80.0%	NA	NA
FSA Features														
Supplier	GAIL	GAIL	PT Adaro and Glencore International	South Eastern Coal Fields Limited	NA	Northern Coal Fields Limited	NA	NA	Individual Farmers	NA	NA	Individual Farmers	NA	NA
Term Expires	December 2010	December 2010	2 years and 12 years, respectively	10 years from Effective Date	NA	10 years + 5 years extension	NA	NA	NA	NA	NA	NA	NA	NA
Contractor	GLIPC	In-house	In-house	In-house – proposed	In-house – Proposed	In-house – proposed	In-house – proposed	In-house – proposed	In-house	In-house – proposed	In-house – proposed	In-house	In-house	TBD

* *NA – Not Applicable*

TBD – To be decided

Notes:

1. *Gross capacity is the maximum power that can be produced continuously over a prolonged period of operation, as rated by the manufacturers of the turbines in the power plant. Contracted capacity is defined as the quantity agreed to be supplied as per the PPA.*
2. *Pursuant to a Government notification issued on June 7, 2005, the obligations of APSEB under the Kondapalli PPA have been assigned to the following four distribution companies: APCPDCL, APSPDCL, APEPDCL and APNPDCL, which have further assigned their responsibilities to APPCC.*
3. *We have won the bid for Lanco Anpara and are in the process of finalizing the agreements.*

Kondapalli Power Plant

We currently hold a 33.9% stake in LKPPL and have entered into a share purchase agreement with Globeleq to buy its 25.1% equity stake in LKPPL, upon payment of a consideration of US$30 million (approximately Rs. 1,394.7 million) by October 8, 2006 (the "Payment Date"), plus interest for the period from the Payment Date until the actual payment is made, if the closing is not completed by the Payment Date. Purchase of Globeleq's share, would increase our equity interest in LKPPL to 59%. The closing is subject to obtaining Government approval and the consent of the other shareholders of LKPPL.

LKPPL owns and operates a 368.1 MW multi-fuel based power plant in Kondapalli, Vijayawada, in the State of Andhra Pradesh. The Kondapalli Power Plant was certified by UKAS and Lloyds registrar Quality Assurance to be ISO 14001, ISO 9001 and OHSAS 18001 compliant in June 2005. LKPPL has also won several awards, including "Best Environment Improvement Activity" by the Federation of Andhra Pradesh Chambers of Commerce and Industry, the Leadership and Excellence Award in Safety, Health and Environment, 2002 by the Confederation of Indian Industries and the National Award for Excellence in Water Management 2005 by CII Hyderabad.

Kondapalli Power Plant was set up at a cost of approximately Rs. 10,990.0 million. Genting Group (Malaysia), Globeleq and Doosan of South Korea are our strategic partners in this project, each owning 30.0%, 25.1% and 11.0% of the share capital, respectively, as of June 7, 2006. The project went on stream on schedule in October 2000.

The following table sets forth the plant's performance details for the last three financial years and for the quarter ended June 30, 2006:

Particulars	For the year ended March 31,			For the quarter ended June 30,
	2004	2005	2006	2006
Plant Availability[1]	91.6%	94.3%	96.7%	95.8%
Actual PLF[2]	71.1%	71.6%	67.2%	66.4%
Units Generated (millions KWH)	2,298.9	2,307.2	2,167.3	533.8
Power Sold (millions KWH)	2,244.3	2,251.2	2,112.0	520.0

Notes:

1. *Calculated as the ratio of the total number of hours in a year that the plant is available at declared capacity to supply power to the grid to the total number of hours in a year (8,760 hours).*
2. *Calculated as the ratio of the actual number of hours in operation to the total number of hours in a year.*

Operation and Maintenance

Kondapalli Power Plant is managed, operated and maintained by our affiliate GLPPL, pursuant to an O&M Agreement, dated October 6, 1997. GLPPL is responsible for all aspects of the operation and maintenance of the plant and is required to ensure that the plant's availability rate does not fall below 90% in any year during the term of the agreement. The agreement runs for a period of 15 years and may be renewed for an additional term upon mutual agreement by the parties. Please see "Risk Factors - We may have increased risks relating to Subsidiaries that are not wholly-owned by us and associate companies that are partially-owned by us" on page xx of this Red Herring Prospectus.

Further, LKPPL entered into a Long Term Maintenance Agreement with GE International Inc. ("GEII") dated November 25, 2001 and a Long Term Assured Parts Supply Agreement with GE Energy Parts Inc., for the maintenance of the gas and steam turbines. Pursuant to these two agreements, the relevant General Electric entity has agreed to supply all the parts and services for the planned maintenance of all four of the gas turbines, as well as the steam turbine. Under the Long Term Maintenance Agreement, GEII has guaranteed 92.0% average availability for the gas turbines. LKPPL has also secured the use of a spare engine through an agreement with GE Packaged Power Inc. in the event one of its engines malfunctions. Please see "Description of Certain Important Project Contracts – Lanco Kondapalli" on page 92of this Red Herring Prospectus for more information regarding these agreements.

Power Purchase Agreement

LKPPL sells the electricity generated by Kondapalli Power Plant to APPCC pursuant to a long-term PPA entered into by LKPPL with APSEB dated March 31, 1997. As of June 10, 2005, the obligations of APTRANSCO under the PPA were transferred to four state-owned distribution companies in a specified ratio. However, for operational convenience and the smooth functioning of power trading activity in the State of Andhra Pradesh, GoAP formed the Andhra Pradesh Power Co-ordination Committee ("APPCC"), which consists of the CMDs of the four distribution companies and the CMD of APTRANSCO. The four distribution companies have subsequently transferred their rights and obligations under the PPA to APPCC. This PPA expires in 2015 and may be renewed for an additional term upon mutual agreement by the parties. Under this PPA, 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, subject to certain conditions specified in the PPA, over each of the tariff periods. The tariff payable by the offtaker consists of a capacity charge reflected by a monthly fixed charge component and an energy charge reflected by a variable charge component. The PPA also requires the offtaker to reimburse LKPPL for charges paid by LKPPL in respect of its failure to take delivery of minimum levels of fuel under its fuel supply agreement due to the offtaker's inability to offtake net electrical energy generated or due to the offtaker's instructions to operate the power plant at less than declared capacity. The PPA also provides for incentive payments to be made to LKPPL in the event the plant achieves Actual PLF greater than 80.0% over a tariff year, as well as penalties to be paid by LKPPL in the event the availability of the power plant falls below 68.5% PLF for a tariff year. Further, if the plant availability is less than 80.0% but more than 68.5% PLF in a tariff year, LKPPL shall refund a proportionate amount of capacity charge. The PPA also provides for certain rebates in the event of early payment by the offtakers. Please see "Description of Certain Important Project Contracts – Lanco Kondapalli" on page 92 of this Red Herring Prospectus for more information as to this PPA, including the amount of such charges, incentives and penalties.

Payment Security Mechanism

Payments due from the offtaker under the Kondapalli PPA are required to be supported by a three-tier credit support mechanism comprised of a revolving letter of credit and an escrow account by the offtaker and a guarantee from GoAP. The escrow arrangement and the State Government guarantee have been put into place. Although establishment of a letter of credit is also required by the PPA, no such letter of credit has been established. Please see "Risk Factors - We expect payments by offtakers of the Kondapalli Power Plant and the Aban Power Plant will account for a significant portion of our revenues in the future. If these offtakers experience financial difficulties and are unable to meet or do not meet their payment obligations under their PPAs, we would be materially and adversely affected " on page xv of this Red Herring Prospectus.

Gas Supply

LKPPL entered into a gas supply contract, dated August 21, 2000, with GAIL for the supply of natural gas. GAIL has agreed to sell and deliver the gas as required by LKPPL, subject to the maximum of 1.46 million standard cubic metres per day on a firm basis and an additional 0.3 million standard cubic metres per day on a fall back basis. LKPPL has guaranteed to pay for minimum offtake of 80.0% of the firm allocation of 1.46 million standard cubic metres per day. For details, please see "Description of Certain Important Project Contracts – Lanco Kondapalli – Gas Supply Agreement, as amended" on page 92 of this Red Herring Prospectus.

We currently estimate that Kondapalli Power Plant requires 1.46 million standard cubic metres of gas per day annually to maintain 80.0% PLF. However, the gas supply from GAIL for the years ended March 31, 2004, 2005 and 2006 was 1.3, 1.3, 1.2 million standard cubic metres per day, respectively.

LKPPL currently maintains an irrevocable standby revolving letter of credit with one of the nationalised banks, covering the value of 16 days supply of gas at maximum contracted quantity plus monthly transmission charges and is required to maintain the letter of credit for the entire period of the gas supply agreement. Please see "Description of Certain Important Project Contracts – Lanco Kondapalli – Gas Supply Agreement, as amended" on page 92 of this Red Herring Prospectus for more information as to this agreement.

While fuel cost is a pass-through item under the PPA, this does not eliminate all the risks associated with our purchase obligations under the gas supply agreement. Please see "Risk Factors - Each of Kondapalli Power Plant, Aban Power Plant and Lanco Amarkantak Power Plant relies on a single fuel supplier for its fuel needs" on page xviii of this Red Herring Prospectus. The tenure of the gas supply agreement is until December 2010 with a clause to further extend it on mutually agreeable terms and conditions.

Aban Power Plant

APCL, which is 51.0% owned by us, owns and operates a 119.8 MW gas-based plant in Tanjore district in the State of Tamil Nadu. Aban Power Plant was certified to be ISO 14001 and OHSAS 18001 compliant in May and June 2006, respectively.

Aban Power Plant was set up at a cost of Rs. 4,390.0 million. The project was awarded by the Tamil Nadu Industrial Development Corporation to APCL after a competitive bidding process. Gentings and Aban Loyd Chiles Offshore Limited are our partners in this project, and together own the balance of 49.0% of APCL, as of June 7, 2006. The project went on stream on schedule in August 2005.

The following table sets forth the plant's performance details from August 11, 2005 to March 31, 2006 and for the quarter ended June 30, 2006:

Particulars	From August 11, 2005 to March 31, 2006	For the quarter ended June 30, 2006
Plant Availability[1]	96.5%	91.6%
Actual PLF[2]	84.4%	72.9%
Units Generated (millions KWH)	564.2	190.9
Power Sold (millions KWH)	536.0	181.6

Notes:

1. *Calculated as the ratio of the total number of hours in a year that the plant is available to supply power to the grid to the total number of hours in a year (8,760 hours).*
2. *Calculated as the ratio of the actual number of hours in operation to the total number of hours in a year*

Operation and Maintenance

Operation and maintenance of the plant is carried out in-house by our own employees.

Power Purchase Agreement

We sell the electricity generated by Aban Power Plant to TNEB, pursuant to a long-term PPA entered into with TNEB dated September 1, 2003. This PPA expires in 2020. Under this PPA, TNEB has agreed to purchase 100% of the electricity generated by the Aban Power Plant and guaranteed a minimum offtake at 85.0% PLF subject to certain conditions specified in the PPA, over each of the tariff periods. The tariff payable by TNEB consists of a monthly fixed charge component and a monthly variable charge component and payments pursuant to supplementary invoices. The basis of the monthly fixed charge component and a monthly variable component is to be calculated according to individual tariff component provided for in the tariff table in the PPA. The PPA also provides for certain rebates in the event of early payment by the offtakers.

In addition, the PPA provides for incentive payments to be made to APCL, for every additional unit of electricity, in the event generation exceeds 85.0% Actual PLF. Please see "Description of Certain Important Project Contracts – Aban Power Plant" on page 95 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanism

The PPA does not provide for any payment security mechanism.

Fuel Supply

APCL has entered into a long-term fuel supply agreement, dated March 28, 2002, with GAIL for the supply of natural gas, pursuant to which APCL is obligated to purchase no less than 0.5 million standard cubic metres per day of natural gas per year. APCL is required to offtake a minimum of 80.0% of the firm quantity of 0.5 million standard cubic metres per day from GAIL. For details, please see "Description of Certain Important Project Contracts–Aban Power Plant– Gas Supply Agreement, as amended" on page 95 of this Red Herring Prospectus.

While fuel cost is a pass-through item under the PPA, this does not eliminate all the risks associated with our purchase obligations under the fuel supply agreement. Please see "Risk Factors - Each of Kondapalli Power Plant, Aban Power Plant and Lanco Amarkantak Power Plant relies on a single fuel supplier for its fuel needs" on page xviii of this Red Herring Prospectus. Please see also "Description of Certain Important Project Contracts–Aban Power Plant– Gas Supply Agreement, as amended" on page 96 of this Red Herring Prospectus for more information as to this agreement. The fuel supply agreement expires in December 2010, with a clause to further extend it on mutually agreeable terms and conditions.

We currently estimate that Aban Power Plant requires 0.5 million standard cubic metres per day annually to maintain an 85.0% PLF. However, the average fuel supply from GAIL for the year ended March 31, 2006 was 0.47 million standard cubic metres per day.

Nagarjuna Power Project

We have entered into an agreement with Nagarjuna Power Corporation to subscribe up to 74.0% of the share capital of NPCL, subject to financial closure of the Nagarjuna Power Project. NPCL is setting up a 1,015 MW capacity imported coal-fired power plant in Udupi district in the State of Karnataka. The project cost has been budgeted at approximately Rs. 43,424 million with a debt-to-equity ratio of 4:1. We have received sanction letters from various financial institutions to lend Rs. 39,500 million for the project as against the requirement of approximately Rs. 34,729 million of debt that we need to raise for this project. We are in the process of entering into definitive documentation including a common loan agreement with these financial institutions. If we are not able to achieve financial closure of the project by March 31, 2007, we will lose our right under the agreement to subscribe for up to 74.0% of NPCL's share capital. Please see "Risk Factors - We are currently reorganising our business and are undertaking several new projects. If our reorganisation is not completed or our new projects are not successful, we may not achieve the operational and financial objectives we have set, and we may have difficulty achieving and managing growth" on page xvii of this Red Herring Prospectus. We expect the Nagarjuna Power Project to achieve financial closure by December 2006 and the project to be commissioned by December 2009. We are required to contribute Rs. 6,423 million towards the cost of the project over the period of 36 months from the date of financial closure.

The project has been granted "Mega Power Project Status" on April 25, 2004 by the Ministry of Power, Government of India, subject to certain conditions, which provides certain fiscal benefits to NPCL for undertaking the project, such as exemption from customs duty on imported equipment and sales tax exemption on capital goods supplied to the power plant. In addition, the project has received all the statutory and non-statutory clearances from GoK and Government of India for setting up the project in Karnataka. The Central Electricity Authority has granted techno-economic clearance to the project.

Operation and Maintenance

Operation and maintenance of the plant is proposed to be carried out in-house by our own employees.

Power Purchase Agreement

Nagarjuna has entered into a PPA, dated December 26, 2005, with the five Escoms of Karnataka in relation to the electricity generated by the Nagarjuna Power Plant. The Escoms of Karnataka are distribution licence holders and are engaged in the business of distribution of electricity in Karnataka.

Nagarjuna has offered to sell 90% of the electricity generated by the power plant to these Escoms of Karnataka and the balance of the gross capacity may be sold to any other buyers outside Karnataka. The tariff for Nagarjuna Power Project is to be determined in accordance with the CERC (Terms & Conditions of Tariff) Regulations as notified on March 26, 2004. The project cost and tariff related parameters have been approved by CERC. Please see "Description of Certain Important Project Contracts – Nagarjuna Power Project" on page 97 of this Red Herring Prospectus for more information as to this PPA.

In addition to the above, NPCL has entered into a PPA with the PSEB, for the sale of the balance of 10% of the electricity generated by the Nagarjuna Power Plant. Please see "Description of Certain Important Project Contracts – Nagajuna Power Project" on page 97 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanisms

The PPA provides for three tier payment security consisting of letter of credit, escrow agreement and State government guarantee from the Karnataka State Government.

Construction Contract

The EPC contract of this project has been finalised through an international competitive bidding process. Letters of intent have been signed with Bharat Heavy Electrical Limited for the EPC contract for the power plant and equipment and with Simplex Industries for civil construction contracts. These contracts have not become effective and will take effect only upon payment of advances under the contracts.

Fuel Supply & Transportation

NPCL is expected to use imported coal as a primary fuel. We estimate the average requirement of coal for the Nagarjuna Power Project to be approximately 2.7 million tonnes per annum.

NPCL has entered into two fuel supply agreements for the supply of coal and bituminous coal, which would become effective only upon the commissioning of the project. Either party can terminate the contract by giving 60 days notice.

NPCL plans to import coal at New Mangalore Port, which is about 30 kms from the plant site, and transport the coal using the Konkan railway network. A memorandum of understanding was signed with Southern Railway in March 2000 for coal transportation from New Mangalore Port to the power plant by the Konkan Railway which has guaranteed transportation of 3.0 million tonnes of coal for the Nagarjuna Power Project from the New Mangalore Port to the plant track hopper through the Konkan Railway.

Lanco Amarkantak Power Project

LAPPL, of which we currently own 87.27%, (with the balance being held by DEG and KVK) is implementing a coal-based power project with a planned gross capacity of 600.0 MW (2 x 300.0 MW) in Korba district in the State of Chhattisgarh. The project is being executed in two phases of 300.0 MW each. Phase I achieved financial closure in September 2005 and construction began in October 2005. Phase II achieved financial closure in September 2006. Phase I is expected to be operational by April 2008 and Phase II is expected to be operational by October 2008.

Operation and Maintenance

Operation and maintenance of the plant is proposed to be carried out in-house by our own employees.

Power Purchase Agreement

LAPPL has entered into PPAs to sell 100% of the electricity generated by Lanco Amarkantak power plant to PTC for a period of 25 years from the commencement of commercial operations for both Phase I and Phase II. The tariff is to be determined according to the provisions of CERC.

The PPA, dated May 11, 2005, for Phase I stipulates that the overall tariff payable by PTC to LAPPL during the term of the PPA is subject to an overall limit equal to the cumulative of the levelised tariff (the average of the discounted present value of the future tariff payments) for the first 12 years at the rate of Rs. 2.18 per KWH and, over 25 years, being the term of this PPA, at the rate of Rs. 2.20 per KWH. By an amendment dated August 2, 2005, the overall tariff payable by PTC to LAPPL during the term of the PPA increased and it was provided that (a) if the escalation in coal prices is more than 5.0%; and (b) the coal requirement of LAPPL is sourced from South Eastern Coalfields Limited, the levelised capped tariff rate may be revised subject to the levelised tariff not exceeding Rs. 2.25 per KWH over 25 years.

The PPA, dated October 19, 2005, in relation to Phase II, provides that the overall tariff payable by PTC to LAPPL would be subject to an overall limit equal to the cumulative of the levelised tariff for the first 12 years at the rate of Rs. 2.25 per KWH and over 25 years, being the term of this PPA, at the rate of Rs. 2.34 per KWH.

The PPA also provides for payment rebates at the rates specified by the latest CERC norms for the amounts paid by PTC within ten days of receiving monthly bills and in respect of amounts paid by PTC after ten days of receipt of monthly bills but not later than the payment due date. Please see “Description of Certain Important Project Contracts – Lanco Amarkantak Power Plant” on page 99 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanism

The PPAs provide for a payment security mechanism in the form of a monthly revolving and irrevocable letter of credit.

EPC Works Contract

LAPPL entered into a construction contract with ZPPL in June 2005 for Phase I and in April 2006 for Phase II for the engineering, procurement and construction of the Lanco Amarkantak Power Plant on a turnkey basis. ZPPL is to receive a fixed, lump-sum payment for its services under the construction contract. Construction of Phase I is scheduled to be completed in March 2008 while Phase II is scheduled to be completed by October 2008. ZPPL, a group company of Zelan Holdings (M) SDN BHD of Malaysia, which has interests in EPC, property development, manufacturing and trading, was appointed EPC contractor pursuant to a lump-sum fixed-price turnkey contract. Under the terms of the construction contract, reliability tests and performance acceptance tests are to be conducted upon completion of the project, and if the plant fails to meet certain performance guarantees, ZPPL is required to pay LAPPL liquidated damages for such performance shortfall. In addition, if ZPPL is unable to complete the project on time, it is liable to pay LAPPL liquidated damages for such delay. In the case of performance shortfall, LAPPL may also require ZPPL to redesign and rectify the plant as required to meet the performance guarantees, at no extra cost to LAPPL. ZPPL has awarded the contract for the supply of a boiler turbine and generator (BTG) package to Don Fang Electric Corporation, China. The obligations of ZPPL under the EPC contract have been subcontracted to LITL for engineering, transportation, construction, testing and commissioning services on the same terms and conditions as provided in the agreement for engineering, transportation, erection, testing and commissioning services between ZPPL and LAPPL. In the event that LITL fails to perform its functions in accordance with the terms and conditions of agreement for engineering, transportation, construction, testing and commissioning services resulting in liabilities arising on ZPPL, LITL would either directly bear or be liable for such liabilities and fully indemnify ZPPL. Further, LITL was required to provide a payment guarantee as security for certain advance payments required to be made by ZPPL to LITL. Accordingly, LITL has, on July 30, 2005, executed an advance payment guarantee in favour of ZPPL for a maximum guaranteed amount of Rs. 47.6 million.

Non-EPC Works Contract

For non-EPC works in connection with the design and construction of the project, LAPPL entered into an agreement with LITL, dated April 27, 2005, on a fixed-price basis. LITL was required to provide a payment guarantee as security for certain advance payments required to be made by LAPPL to LITL. Accordingly, on July 15, 2005, LITL executed an advance payment guarantee in favour of LAPPL for a maximum guaranteed amount of Rs. 200.0 million. Please see "Description of Certain Important Project Contracts – Lanco Amarkantak Power Plant" on page 99 of this Red Herring Prospectus for more information as to this agreement.

Incidental Civil and Construction Works

For various incidental works in connection with the construction of the project, LAPPL entered into an agreement for civil and construction works with Zelan Construction (India) Private Limited ("ZCIPL") on May 25, 2005. ZCIPL has subcontracted certain construction services to LITL via subcontract agreements for civil and construction works dated July 11, 2005 and July 21, 2005 for a fixed price of Rs. 59.2 million and Rs. 882.0 million, respectively, on the same terms and conditions as those provided in the agreement for civil and construction works between ZCIPL and LAPPL. In the event that LITL fails to perform its functions in accordance with the terms and conditions of agreement for civil and construction works dated May 25, 2005 resulting in liabilities, LITL would either directly bear or be liable to bear such liabilities and would be required to fully indemnify ZCIPL. Further, LITL was required to provide a guarantee as security for certain advance payments required to be made by ZCIPL to LITL. Accordingly, LITL has, on August 18, 2005, executed advance payment guarantees in favour of ZCIPL for a maximum guaranteed amount of Rs. 88.8 million and Rs. 132.3 million.

Fuel Supply

LAPPL entered into a long-term take-or-pay coal supply agreement with South Eastern Coal Fields Limited ("SECL"), a subsidiary of Coal India Limited in December 2005 for Phase I and it has obtained coal linkage for Phase II in May 2006. The coal supply agreement is valid for a period of 10 years with a provision for further extension for another five years on mutually agreed terms. The price payable for the purchase of coal is to be determined by the Ministry of Coal. The annual contracted quantity of coal to be supplied by SECL is equal to 1.2 million tonnes (80.0% of issued linkage quantity of 1.5 million tonnes) per operating year of 12 calendar months. However, where an operating year is less than 12 months, the contract quantity is pro-rated accordingly. We have no alternative arrangements for a guaranteed supply of fuel. Please see "Risk Factors - Each of Kondapalli Power Plant, Aban Power Plant and Lanco Amarkantak Power Plant relies on a single fuel supplier for its fuel needs" on page xviii of this Red Herring Prospectus. LAPPL has furnished a bank guarantee for the advance to be paid in relation to the amount of coal proposed to be sourced from South Eastern Coalfields Limited. Please see "Description of Certain Important Project Contracts – Lanco Amarkantak Power Plant - Fuel Supply Agreement" on page 99 of this Red Herring Prospectus for more information as to this agreement.

Teesta VI Power Project

LEPL, which is currently 99.9% owned by us, is in the process of setting up a 500.0 MW Teesta VI hydroelectric power project across the Theestha River in the State of Sikkim. LEPL has secured the project on a BOOT basis. The project is expected to achieve financial closure by December 2006 and is expected to commence commercial operation by December 2009. We propose to own 74.0% of LEPL while the remainder is proposed to be owned by GoS.

Power Purchase Agreement

LEPL entered into a PPA with the MSEDCL on August 29, 2006. MSEDCL has agreed to purchase the entire saleable power from the power plant for a period of 35 years from the completion date for onward supply of such power in the State of Maharashtra. The PPA is subject to the approval of the Maharashtra Electricity Regulatory Commission. A flat tariff of Rs. 2.32 per unit is payable for both primary and secondary energy up to the twenty fifth year from the the completion date, after which the parties shall mutually negotiate the rate of tariff. The PPA also provides for certain rebates in the event of early payment by the offtaker.

LEPL undertook to sell the saleable energy i.e., the total energy generated including the infirm power available for sale after allowing for auxiliary consumption, transformation losses and royalty, at the agreed tariff and MSEDCL undertook to pay tariff for the billable energy i.e., metered electrical energy delivered by LEPL including deemed generation of power as per the PPA.

Payment Security Mechanism

The PPA provides for a payment security mechanism in the form of a monthly revolving irrevocable letter of credit together with an escrow account to be funded with 105% of the relative monthly revolving irrevocable letter of credit.

Implementation Agreement

LEPL entered into an implementation agreement in December 2005 with GoS, pursuant to which it will be given the right to develop, own, operate and maintain the project. Pursuant to the Implementation Agreement, we will own 74% of LEPL, with the remainder to be held by GoS. The term of the implementation agreement is 35 years from the date of commencement of commercial operations, with an option for further extension at the sole discretion of GoS.

Pursuant to the implementation agreement, LEPL has the right to sell the power generated from the power plant to any customer within or outside the State of Sikkim. Commencing from the date of commercial operation, LEPL is required to supply 12.0% of the energy generated to GoS free of charge as royalty payments for an initial period of 15 years, which would be increased to 15.0% for the remaining years GoS may receive money in lieu of free power at its discretion at a rate to be mutually agreed from time to time.

Civil Works/Electro Mechanical Works

LEPL entered into a civil and electro mechanical contract in December 2005 for carrying out the civil works in relation to the project. Please see "Description of Certain Important Project Contracts –Teesta VI" on page 102 of this Red Herring Prospectus for more information as to this agreement.

Anpara Power Project

We have recently been declared as the successful bidder to design, finance, establish and operate the 2 x 500.0 MW coal based thermal power plant on a BOO basis in Anpara Village, Sonebhadra District, in the south eastern part of Uttar Pradesh, Northern India. The proposed plant is a pithead coal based power plant.

Lanco Group has promoted a separate entity for implementation of the project, namely Lanco Anpara. According to the terms of the Request for Proposal ("RFP") and the other bidding conditions, we propose to directly own 74.0% of Lanco Anpara ("LAP") while the balance would be held by LKPPL. It is our intention in future to directly own 100% of LAP subject to receipt of the necessary approvals from the state government. According to the requirement of the RFP, we have furnished a performance bond of Rs. 900 million to the Discoms of Uttar Pradesh. Further, all relevant parties have initialled the drafts of the following project documents and we are seeking to execute the same:

- Power Purchase Agreement
- Facilities and Services Agreement
- Default Security Agreement
- Default Contingency Agreement
- Direct Agreement
- Implementation Agreement
- Land Lease Agreement

The above documents have to be executed by the relevant authorities within two months from the date of the letter of acceptance in relation to the Anpara Power Project.

Lanco Green Power Project

We own 99.9% equity of Lanco Green. Under the Implementation Agreement for this project, our ownership interest in Lanco Green will be diluted to 90.0%, with the remainder to be held by SMEC Holdings Limited. LGPPL is implementing a 70.0 MW (2 X 35.0 MW) run of the river hydroelectric power project across the Budhil Nallah, which is a major tributary of the Ravi River. The project site is located in the Chamba district in the State of Himachal Pradesh. The project is a part of the master plan drawn by GoHP for harnessing the hydroelectric potential of the Ravi River. LGPPL has obtained project clearance from HPSEB. LGPPL achieved financial closure in March 2005 and is expected to go on stream by April 2008.

Operation and Maintenance

Operation and maintenance of the plant is proposed to be carried out in-house by our own employees.

Power Purchase Agreement

LGPPL has entered into a PPA dated March 30, 2005 with PTC India Limited to 100% of the electricity generated by Lanco Green Power Project for a period of 35 years from the commencement of commercial operations. The fixed charge component is structured to cover all fixed costs of the plant and a return on equity. The tariff is determined in accordance with the CERC provisions and is computed based on energy generated for 90.0% of the reference year and covers all expected costs and return on equity. The tariff will be paid on actual energy generated, and additional secondary energy tariff will be paid if actual generation exceeds energy generation by 90.0% of the reference year. The agreement also provides for certain rebates in the event of early payment by the offtakers.

For facilitating evacuation of the billable power, LGPPL is required to enter into a connection agreement with Power Grid Corporation of India Limited. Please see "Description of Certain Important Project Contracts – Lanco Green Power Project" on page 104 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanism

Payment due from PTC under the PPA is secured by a credit support mechanism comprising a monthly revolving and irrevocable letter of credit maintained by PTC on a quarterly basis through the term of the PPA.

Implementation Agreement

LGPPL entered into an implementation agreement with GoHP on November 22, 2005, pursuant to which it will be given the right to develop, own, operate and maintain the project. The term of the implementation agreement is 40 years from the date of commercial operation after which the project shall be transferred to GoHP free of charge. Pursuant to the implementation agreement, it is expected that we will own 90.0% of LGPPL, with the remainder to be held by SMEC Holdings Limited. LGPPL has the right to sell the power generated from the facility to any customer outside the State of Himachal Pradesh. LGPPL is required to supply 12.0% of the deliverable energy generated to GoHP free of charge as royalty payments for an initial twelve year period commencing from the date of commercial operation, which would be increased to 18.0% for the remaining years. Please see "Description of Certain Important Project Contracts - Lanco Green Power Project" on page 104 of this Red Herring Prospectus for more information as to this agreement.

Civil Construction Contract Works

LGPPL entered into a civil construction contract with LITL for carrying out the civil works in relation to Phase I and Phase II, at a fixed, lump-sum payment of Rs. 276.0 million and Rs. 1,700.0 million, respectively for its services under the construction contract. Construction of the project is expected to be completed by the April 2008. Please see "Description of Certain Important Project Contracts - Lanco Green Power Project" on page 104 of this Red Herring Prospectus for more information as to this agreement.

Electro Mechanical

The contracts for procurement of generation units and for the supervision of installation, commissioning and field testing of equipment was granted to the Lanco Green Power Project. Further it entered into agreements for the transportation, insurance, storage at site, erection, commissioning and testing of E&M equipment and for the supply of BOP for E&M equipments with LITL.

Uttaranchal Power Projects

LHEPL, which is 99.9% owned by LHPVL (which is our 91.1% owned subsidiary), is in the process of conducting a feasibility study of setting up hydroelectric power projects with an aggregate capacity of 70.0 MW across the Mandakini River in the State of Uttaranchal. These projects were awarded to LHEPL after a competitive bidding process. LHEPL would be required to supply 12.0% of the net deliverable energy (being generated energy reduced by auxiliary consumption and transmission loss) to the State of Uttaranchal free of charge as royalty. The projects are expected to achieve financial closure by March 2007 and go on stream by April 2009.

Project Development Status

LHEPL entered into project development agreement with GoU on May 29, 2006 pursuant to which it is entitled to undertake feasibility studies for the construction and operation of the Uttaranchal Power Projects. LHEPL may carry out economic viability studies and prepare a detailed project report for submission to GoU.

If the GoU is satisfied with the results of the feasibility studies, LHEPL may enter into an implementation agreement with GoU for the right to develop, own, operate and maintain the project.

The PPA and other contracts are expected to be completed by the time of financial closure.

Clarion Power Plant

CPCL, which is 86.0% owned by us (with the balance held by other Promoter Group companies), owns and operates a 12.0 MW bio-mass power plant in Clarion district, in the State of Andhra Pradesh. It is the largest bio-mass power plant in Andhra Pradesh. The Clarion Power Plant was set up at a cost of Rs. 470.0 million. NEDCAP granted us approval for the development of the project in December 1997 and CPCL entered into a memorandum of understanding with NEDCAP for the purpose of developing the project in January 1998. The project went on stream on schedule in January 2004.

Operation and Maintenance

Operation and maintenance of the plant is carried out in-house by our own employees.

Power Purchase Agreement

We sell the electricity generated by the Clarion Power Plant to APTRANSCO under a long-term PPA dated September 29, 2003. The PPA is for an initial period of 20 years and may be renewed for an additional term upon mutual agreement by the parties. Under the PPA, the tariff payable started at Rs. 2.3 per KWH with an escalation of 5.0% per annum using 1994-1995 as the base year. The tariff was revised every year up to 2003-2004, based on the escalation rate, and beyond 2003-04 the tariff rate was to be determined by APERC. The agreement also provides for certain rebates in the event of early payment by the offtakers.

APERC had issued an order determining the tariff payable by the offtaker. As the order was detrimental to the operation of bio-mass power plants, the Biomass Power Plant Association of Andhra Pradesh approached the High Court for a revision of the order. The High Court of Andhra Pradesh passed its judgment in favour, of the power plants and set the tariff at 3.48 per KWH, starting April 2004, with an escalation of 5.0% per annum.

CPCL is required to ensure that the power factor of the energy delivered to APTRANSCO is maintained at or above the Minimum Power Factor as per Tariff Notification or it is liable to pay a surcharge as per Tariff Notification in force. Please see "Description of Certain Important Project Contracts – Clarion Power Plant" on page 108 of this Red Herring Prospectus for more information.

Payment Security Mechanism

The PPA provides for a payment support mechanism in the form of an irrevocable letter of credit.

Fuel Supply

The fuel used for the plant is generally agricultural waste, including juliflora, rice husk, ground nut shell and agro waste. The fuel required for the power plant is procured from farms in nearby villages. Short-term contracts are entered into with the suppliers for procurement of the fuel required. For uninterrupted supply of fuel for the project, CPCL is actively pursuing farming initiatives, whereby it provides seedling and other required assistance to the farmers and, in turn, purchases the produce from the farmers.

Vamshi Industrial Power Project

VIPL, which is 99.6% owned by LHPVL (our 91.1% owned subsidiary), is setting up two hydroelectric projects of 5.0 MW each. These projects are in Upper Khauli and Drinidhar in Kangra district in the State of Himachal Pradesh. Upper Khauli is a run of the river project across the Khauli Khad, a tributary of the Beas River. Drinidhar is a run of the river scheme on Brahl Khad Stream, a tributary of the Beas River. The project is a part of Small Hydro Project Self Identified Schemes of Himachal Pradesh, under which it will receive incentives announced by GoHP and MNES for small hydroelectric power projects. They were accorded project clearance in May and August 2005 by HPSEB. VIPL has secured the project on a BOOT basis. VIPL achieved financial closure for both projects in March 2005 and the projects are expected to go on stream by April 2008.

Operation and Maintenance

Operation and maintenance of the plant is proposed to be carried out in-house by our own employees.

Power Purchase Agreement

A formal PPA in this regard is yet to be entered into with HPSEB.

Implementation Agreement

VIPL entered into implementation agreements with GoHP on June 8, 2005 for the Drinidhar project and on November 22, 2005 for the Upper Khauli project, pursuant to which VIPL will be given the right to develop, own, operate and maintain the project. The term of the implementation agreement is 40 years from the date of commercial operation, with an option to extend for another 20 years. Pursuant to the implementation agreement, HPSEB will buy the power generated by the facility or VIPL has the right to sell the power generated from the facility to any customer outside the State of Himachal Pradesh. Third party sale within Himachal Pradesh is not allowed. VIPL is required to supply 10.0% of deliverable energy (generated energy reduced by auxiliary consumption and transmission loss) to GoHP as royalty for 15 years from the commercial operation date. Please see "Description of Certain Important Project Contracts – Vamshi Industrial Power Project" on page 109 of this Red Herring Prospectus for more information as to this agreement.

Civil Construction Contract Works

VIPL entered into a civil construction contract with LITL, dated September 15, 2005, for carrying out the civil works at a fixed, lump-sum payment of Rs. 349.5 million for its services under the construction contract. Construction of the project is expected to be completed by December 2006.

Electro Mechanical

VIPL entered into an agreement with Boving Foress Limited in November 2005 for the electro mechanical equipment for both the power plants being developed by VIPL.

Vamshi Hydro Power Project

VHEPL, which is 99.8% owned by LHPVL (our 91.1% owned subsidiary), is setting up two hydroelectric projects of 5.0 MW each, called Baner-III and IKU-II. Both are located in Kangra district in the State of Himachal Pradesh. Baner-III is a run of the river project across the Baner Khad and Kapru Nala, tributaries of the Beas River. IKU-II is a run of the river scheme across the IKU Khad, a tributary of the Beas River. The project is a part of Small Hydro Project Self Identified Schemes of Himachal Pradesh, under which it will receive incentives announced by GoHP and MNES for small hydroelectric power projects. Baner-III was accorded techno-economic clearance on September 7, 2005 and IKU-II on August 25, 2005 by HPSEB. VHEPL has secured the project on BOOT basis. VHEPL achieved financial closure in March 2005 and the projects are expected to go on stream by April 2008.

Operation and Maintenance

Operation and maintenance of the plant is proposed to be carried out in-house by our own employees.

Power Purchase Agreement

A formal PPA is yet to be entered into with HPSEB.

Implementation Agreement

VHEPL entered into an implementation agreement on November 22, 2005 for IKU-II and on November 22, 2005 for Baner-III with GoHP, pursuant to which VHEPL will be given the right to develop, own, operate and maintain the projects. The term of each implementation agreement is 40 years from the date of commercial operation, with an option to extend for another 20 years. Pursuant to the implementation agreement, HPSEB will buy the power generated by the facility or VHEPL has the right to sell the power generated from the facility to any customer outside the State of Himachal Pradesh. Third party sale within Himachal Pradesh is not allowed. VHEPL is required to supply 10.0% of deliverable energy (generated energy reduced by auxiliary consumption and transmission loss) to GoHP as royalty for 15 years from the commercial operation date. Please see "Description of Certain Important Project Contracts – Vamshi Hydro Energies Private Limited " on page 110 of this Red Herring Prospectus for more information as to this agreement.

Civil Construction Contracts

VHEPL entered into civil construction contracts with LITL dated September 15, 2005 and December 2, 2005 for carrying out the civil works at a fixed, lump-sum payment of Rs. 180.0 million and Rs. 153.8 million, respectively. Construction of the project is expected to be completed by June 2007. Please see "Description of Certain Important Project Contracts - Vamshi Hydro Energies Private Limited" on page110 of this Red Herring Prospectus for more information as to this agreement.

Electro Mechanical

VHEPL entered into an agreement with Boving Foress Limited in November 2005 for the electro mechanical equipment for both power plants being developed by VHEPL.

Rithwik Power Plant

RESL, which is 56.7% owned by us, (with the balance held by other Promoter Group companies), owns and operates a 6.0 MW bio-mass power plant in Rithwik district, in the State of Andhra Pradesh. The Rithwik Power Plant was set up at a cost of Rs. 278.0 million. NEDCAP granted us the approval to develop the project in March 2000 and the project commenced in September 2002.

Operation and Maintenance

Operation and maintenance of the plant is carried out in-house by our own employees.

Power Purchase Agreement

We sell the electricity generated by the Rithwik Power Plant to APTRANSCO under a long-term PPA dated February 18, 2002. The PPA is for an initial period of 20 years and may be renewed for an additional term upon mutual agreement by the parties. Under the PPA, the initial tariff payable was at Rs. 2.25 per KWH with an escalation of 5.0% per annum using 1994-1995 as the base year. The escalation rate was revised every year up to 2003-2004, based on the escalation rate, and beyond 2003-04 the tariff rate was to be determined by APERC. The agreement also provides for certain rebates in the event of early payment by the offtakers.

APERC had issued an order determining the tariff payable by the offtaker. As the order was detrimental to the operation of bio-mass power plants, the Biomass Power Plant Association of Andhra Pradesh had approached the High Court for revision of the order. The High Court of Andhra Pradesh passed its judgment in favour, of the power plants and set the tariff at 3.5 per KWH, starting April 2004, with an escalation of 5.0% per annum.

RESL is required to ensure that the power factor of the energy delivered to APTRANSCO is maintained at or above the Minimum Power Factor as per Tariff Notification or it is liable to pay a surcharge as per the Tariff Notification in force. Please see "Description of Certain Important Project Contracts – Rithwik Power Plant" on page 111 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanism

The PPA provides for payment support mechanism in the form of an irrevocable letter of credit.

Fuel Supply

The fuel used for the plant is generally agricultural waste, including juliflora, rice husk, ground-nut shell and agro waste. The fuel required for the power plant is procured from farms in nearby villages. Short-term contracts are entered into with the suppliers for procurement of the fuel required. For uninterrupted supply of fuel for the project, RESL is actively pursuing farming initiatives, whereby it provides seedling and other required assistance to the farmers and, in turn, purchases the produce from the farmers. RESL has thus far assisted in development of 5,000.0 acres of land for the purpose of producing fuels for the requirement of the Rithwik Power Plant. RESL does not own these lands.

Chitradurga Power Plant

Chitradurga Power Plant, which is directly owned by LITL, operates a 3.0 MW wind-based electric power generating station in Chitradurga district in the State of Karnataka.

The Chitradurga Power Plant was set up at a cost of Rs. 147.0 million. The GoK, by its orders dated May 13, 1999 and January 6, 2000, approved the installation of a wind-based electric power generating station of 10.0 MW capacity in Chitradurga district in the State of Karnataka of which a capacity of 3.0 MW was transferred to us. The plant was commissioned in March 2002.

Operation and Maintenance

Operation and maintenance of the plant is carried out in-house by our own employees.

Power Purchase Agreement

We sell the electricity generated by the Chitradurga Power Plant to KPTCL under a PPA dated October 8, 2003. The PPA is for a term of 20 years and may be renewed for a further 10 years upon mutual agreement by the parties. Under the PPA, KPTCL is liable to pay for the first 10 years tariff at the rate of Rs. 3.25 per KWH with an escalation of 2.0% per annum. From the eleventh year, the payment terms would be mutually agreed to between the parties. LITL may sell power to third parties and may enter into a wheeling and banking agreement with KPTCL to sell power through its grid for which LITL shall have to pay wheeling and banking charges to KPTCL at rates stipulated by the Karnataka Electricity Regulation Commission. The agreement also provides for certain rebates in the event of early payment by the offtakers. Please see "Description of Certain Important Project Contracts – Chitradurga Power Plant" on page 111 of this Red Herring Prospectus for more information as to this PPA.

Payment Security Mechanism

Payments due under the PPA are secured by a non-revolving and irrevocable letter of credit for an amount of one month's projected payments.

Tamil Nadu Wind Power Plants ("TNPPs")

TNPPs, which are directly owned by LITL, operates a 7 x 1.25 MW (8.75 MW) wind-based electric power generating stations in the Tirunelveli district in the State of Tamil Nadu.

TNPPs were set up at a cost of Rs. 440 million. The GoTN granted a no-objection certificate for the transfer of the power plant in the name of LITL, pursuant to a letter dated September 12, 2006. TNPPs were commissioned in September 2006.

Operation and Maintenance

O&M agreement is proposed to be entered into with Suzlon Wind Farm Services Limited.

Power Purchase Agreement

LITL proposes to enter into a PPA with TNEB for the sale of the entire power generated by the TNPPs.

Lanco Electric Utility Limited

LEUL, which is 99.8% owned by us, is the trading arm of the Lanco Group. The Electricity Act 2003 recognised power trading as a distinct activity from power generation, transmission and distribution. Consequently, we ventured into trading activities. The Government is planning to increase existing transmission and generation capacity by developing transmission highways, which is expected to provide growth for power trading.

Incorporated in March 2000, LEUL is the first company in Andhra Pradesh to receive a licence for interstate power trading from the CERC. The licence is for a period of 25 years. Initially, the licence was for 'A' category (eligible to trade up to 100 million units), but subsequently it has been enhanced to 'F' category, allowing unlimited trading in power. LEUL is keenly observing the trading market and participating in tenders for short-term power for various utilities.

LEUL commenced commercial operation of its power trading business in January 2006. Since then, it has successfully executed power supply contracts for the supply of 1,623.0 million units from CSEC to PSEB during January to March 2006 and additional supply of 9,600.0 million units from DTL to PSEB in March 2006. These two power supply contracts generated a turnover of Rs.

50.8 million in fiscal 2006. LEUL has entered into back to back contracts for the supply of 1,411.0 million units from West Bengal State Electricity Board and Punjab State Electricity Board during April to June 2006.

CDM Business

CDM business is in its evolutionary stages and we believe there is significant potential in this field in the near future. We have taken steps to make all our existing power plants and power plants under construction CER eligible. We have also hired experts in the field of CDM to help develop our knowledge in this field.

We expect to leverage LITL's investments already made in the energy projects and CDM initiatives and to maximise value from this business in the long run. We plan to focus on understanding the UNFCCC policy framework, managing market risks related to trading in CERs, closely monitor the market players and identify the right opportunities for trading and investments. Even though the UNFCCC has published detailed guidelines on carbon emissions and eligibility of projects for CERs, the trading of CERs in the international markets is unregulated and can be highly volatile depending upon the demand and supply and regulatory changes. We believe the success of this business will largely depend upon our ability to securitise the carbon assets and monetise them at the right time in the market.

Stated below is the status of the CER eligibility process of our existing power plants and power plants under construction:

Bio-mass Projects: CPCL was registered as a CDM project in September 2005 with UNFCCC. This project is expected to generate CERs based on an 80.0% PLF with a total of seven year credit period starting from 2003-04. According to UNFCCC, CPCL is the fourth project in India and thirteenth project in the world to meet the requirements for UNFCCC registration.

RESL was registered as a CDM project in March 2006 with UNFCCC. This project is expected to generate CERs per year based on an 80.0% PLF with a total of seven years credit period starting from 2002-03.

We have signed an emission reduction purchase agreement ("ERPA") for trading of the issued CERs with Electricity De France Trading Limited ("EDF") for both these projects in April 2006 for a consideration of Rs. 125.2 million. This agreement is subject to Clarion and Rithwik Power Plants becoming CER eligible. Pursuant to such agreement, Rithwik in September 2006 registered 57,972 CERs with UNFCCC and sold such CERs to EDF for a consideration of Euro 23.69 per CER, aggregating to Euro 1.37 million, Similarly, Clarion in September 2006, registered 40,882 CERs with UNFCCC and sold such CERs to EDF for a consideration of Euro 23.69 per CER, aggregating to Euro 0.97 million.

Gas Projects: LKPPL is in the process of project validation and is expected to commence its registration process in the fourth quarter of 2006. This project is expected to generate CERs per year based on 80.0% PLF and the total credit period is ten years starting from 2001-02. We would lose any accrued CERs if we do not complete the validation process before December 2006.

APCL is in the pre-validation stage. This project is expected to generate CERs based on 80.0% PLF and the total credit period is ten years starting from 2006-07. We would lose any accrued CERs if we do not complete the validation process before December 2006.

Hydro Projects: LEPL, LGPPL, VIPL, VHEPL and LHEPL are in the project validation stage. Subsequent to the validation of these projects by DoE, the projects will be submitted to UNFCCC for registration.

Wind Projects: Chitradurga Power Plant is currently in the project validation stage. TNPPs were commissioned in September 2006.

Our Construction Business

Overview of business

We are an established construction company with a proven track record in civil construction and infrastructure projects. Our growing business provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects. Since the commencement of our construction business in 1993, our focus has been on executing government contracts. In recent years, we have completed various civil construction contracts for our affiliate companies. In fiscal 2004, 2005 and 2006, 6.0%, 47.0%, and 27.0% of our revenues were from our affiliates. In the quarter ended June 30, 2006, 49.0% of our revenues were from our affiliates.Please see "Risk Factors - We enter into related party transactions. For our construction business, a portion of our revenue has been from affiliates acquired, or to be acquired, by us in the reorganisation" on page xvii of this Red Herring Prospectus. We execute many projects on a turnkey basis, and in doing so, provide a range of specialised construction and operational services. Our construction business is carried out directly by LITL.

We believe our expertise and proven track record in executing construction contracts for various Government, quasi Government and private sector enterprises and pan Indian location gives us an advantage when bidding for new contracts.

Our project expertise includes execution of:

- gas, coal, bio-mass, hydro and wind-based power plants;
- irrigation and water supply projects, including dams, tunnels, lift irrigation projects, sewerage schemes and marine works;
- civil construction projects, which include structures such as commercial and residential buildings, mass housing projects and townships, industrial structures, information technology parks, corporate offices, transportation networks and hospitals; and
- transportation engineering projects, including roads, highways, bridges and flyovers.

Our construction business is headquartered in Hyderabad and our operations extend to various parts of India. Described below are examples of the construction projects executed by us that help demonstrate our expertise in this field:

Veeranam Water Supply Project: The Veeranam Water Supply Project, completed in May 2004, was a joint venture project between LITL and Punchak Niaga Holdings Berhad, Malaysia ("PNHB") involved supplying and laying 114.0 kms of raw water transmission pipeline. The Veeranam Water Supply Project also entailed the construction of seven new bridges, rehabilitation of seven existing bridges and construction of a 3.0 ML capacity break pressure tank, which is one of the largest elevated tanks ever constructed in India. The project was completed ahead of schedule, despite pipe laying difficulties from the water flow as well as other challenges beyond our control.

Modernisation of 825-Bed Hospital for Indian Navy at Colaba: INHS Asvini Hospital in Mumbai, constructed by LITL in December 2004, consists of 330 rooms and a built-up area of seven million square feet. Before LITL was awarded the contract, the hospital comprised of two major heritage buildings and other hospital buildings which had been in operation for over 100 years. Our mandate included civil and structural works, internal and external water supply, a 250-seat capacity deluxe auditorium, electricity and air conditioning works, fire detection and alarming system, lifts and other services. In May 2005, the project was awarded the Commendation Certificate in Category-II – Institutional, Commercial Office and Recreational Complexes by the Professional Screening Committee of the Indian Building Congress.

Cable-Stayed Flyover: LITL, along with Usha Construction Limited, executed the design and construction of a cable-stayed flyover at Kharghar Junction on the Sion-Panvel Expressway for the Maharashtra State Road Development Corporation under a design and build lump-sum contract. The project was awarded the first prize by the Indian Institution of Bridge Engineers for the outstanding and aesthetically built cable-stayed flyover in Mumbai. The flyover was completed in January 2000.

Aban Power Project

LITL, as a sub-EPC contractor executed the civil, mechanical, erection and commissioning and supply works to the 119.8 MW multi-fuel power plants located at Tamil Nadu for APCL. The scope of work included a supply of steam turbine generator, heat recovery steam generator, gas buster compressor, gas turbine circuit breaker, bus duct and evaporating cooling system. We also executed civil works for the non-plant buildings, compound wall, drainage, erection and commissioning and inland transportation of equipment. The contract work commenced in August 2003 and execution of the contract was completed in August 2005.

Kondapalli Power Project

LITL, as a sub-EPC contractor, executed the civil, mechanical, erection and commissioning and supply works to the 368.1 MW power plant near Andhra Pradesh. The scope of work included construction of the water treatment plant, power house and turbine generator foundation, overhead tank, effluent ground level reservoir, cooling water pumping station, raw water pumping station, fire fighting system, naphtha storage tanks, naphtha pipeline and gas conversion works. The contact work commenced in January 1999 and execution of the contract was completed in July 2001.

Civil Construction Projects

Our Promoters began, and we continue, the business of providing integrated engineering procurement and construction services for civil construction projects, especially building construction. The portfolio of civil construction projects that we have successfully executed, and are executing, includes mass housing projects and townships, industrial structures, corporate offices, transportation terminals, a railway station, and residential and commercial complexes.

We enter into contracts primarily through competitive bidding processes for the projects that we execute for the Lanco Group. We solely execute most of our projects in our capacity as contractor. When a client requires us to meet specific eligibility requirements for certain larger projects, including requirements relating to particular types of experience and financial resources, we may enter into project-specific joint ventures with other construction companies.

Infrastructure Projects

We began executing infrastructure projects in 1998. Infrastructure development has seen tremendous growth in India, especially in recent years. Increased investment in infrastructure has led to a surge in activity in the construction industry. Infrastructure projects have emerged as, and we believe that they will continue to be, a significant business driver for us. We have developed skill sets in providing engineering and construction services for a diverse range of infrastructure projects, including transportation engineering projects and irrigation and water supply projects.

We have successfully completed, and are currently engaged in, a number of transportation engineering projects, including roads, highways, bridges, flyovers and pedestrian subways, and irrigation and water supply projects, including the building of dams, tunnels, lift irrigation schemes and water transmission mains.

Some of the notable transportation engineering and power projects that we are in the process of executing as of October 9, 2006 include:

- BoP construction of the 2 x 300.0 MW Lanco Amarkantak Power Project, Unit I and Unit II.
- Civil Works of Lanco Amarkantak Power Project, Unit I and Unit II.
- Construction of the 70.0 MW Lanco Green Power Project.
- Construction of two 2 x 5.0 MW mini hydroelectric power projects in Himachal Pradesh.
- Construction of a four lane highway project in Bihar, connecting Purnea to Gayakota on NH 31.
- Improvement of lanes and bylanes of Guwahati – Phase II, Assam.
- Widening of Chittoor Kurnool section on NH-18.
- Construction of residential quarters including internal water supply, sanitary works, internal electrification and communication works in Rajasthan.
- Widening and strengthening of roads in Ranchi.
- Construction of Ranchi Cahibasha Road.
- Construction of a telephone exchange.
- Construction of irrigation canals in the State of Andhra Pradesh under an EPC contract.
- Construction of residential towers in Kolkata in the State of West Bengal.

We have also submitted submited bids for road projects on a BOT basis and are awaiting responses from the relevant authorities.

Project Lifecycle

Business Development

- We enter into contracts primarily through competitive bidding processes. The head of the tendering department evaluates bid opportunities and decides whether we should pursue a particular project based on various factors, including the client's reputation and financial strength, the likelihood of future work, the project's costs and profitability estimates and our competitive advantage relative to other likely bidders.

Tendering

- LITL has a centralised tender department that is responsible for applying for all pre-qualifications and tenders. We endeavour to qualify on our own for projects in which we propose to bid. In the event that we do not qualify for a project in which we are interested due to eligibility requirements relating to the size of the project or other reasons, we may seek to form strategic alliances or project-specific joint ventures with other relevant experienced and qualified contractors.
- If we pre-qualify for a project, the next step is to submit a financial bid. Prior to submitting a financial bid, we carry out a detailed study of the proposed project, including performing a detailed study of the technical and commercial conditions and requirements of the tender followed by a site visit. Our tendering department determines the bidding strategy depending upon the type of contract.
- The tendering department invites quotations from vendors, sub-contractors and specialist agencies for various items or activities in respect of the tender. The gathered information is then analysed to obtain the cost of items included in the bill of quantities. The estimated cost of items is then adjusted to derive the selling price to the client.

Engineering and Design

- We provide detailed engineering services, if required by the client, for the projects that we undertake. Typically, for design-build projects, the client supplies conceptual information pertaining to the project and spells out the project requirements and specifications. We are then required to prepare detailed architectural and/or structural designs based on the conceptual requirements of the client and also conform to various statutory and code requirements. For those particular segments in which we do not have in-house design capabilities, we outsource design services to experienced consultants who specialise in the particular segment.

Procurement

Because material procurement plays such a critical part in the success of any project, we employ experienced staff in our purchase department, which is headed by our Chief Procurement Officer, to carry out material, services and equipment procurement for all project sites. Procurement is a centralised function performed at our headquarters. Only in certain cases is procurement done from project sites. We have, over the years, developed relationships with a number of vendors for key material, services and equipment. Please see "Risk Factors – We are dependent on various sub-contractors and specialist agencies to construct and develop our projects as well as third party providers for the supply of raw materials and delivery of products. Any default on the part of our sub-contractors and providers may expose us to liability" on page xxii of this Red Herring Prospectus.

Construction

- We execute projects across the various sectors of civil construction, transportation engineering and irrigation and water supply. The methodology of construction depends upon the nature of the project (*e.g.*, the construction methodology would be different for a road project than for a building project). We have a project management system that helps us track the physical and financial progress of work along with the project schedule. Daily progress reports are prepared by the major sites and sent to the project monitoring cell in the head office for collation.
- We consider a project to be "virtually complete" when it is ready to be handed over to them. We then jointly inspect the project with the client to begin the process of handing over the project to the client. Once satisfied, the client prepares a "virtual completion certificate", which signifies the commencement of the defects liability period or the maintenance period (*i.e.*, the period during which we are contractually bound to rectify any defects arising out of construction, which can last up to 60 months). On completion of the defects liability period, we request the client to release any performance bonds or retention monies that may be outstanding.

Types of Contracts

Our contracts types fall into the following categories:

- ***Cash contracts*** involve payment of a lump-sum amount to the contractor for his work based on various formulations, ranging from: a single price for total amount of work where the client supplies all the information relating to the project, such as designs and drawings (lump-sum or percentage rate contract), or single price for the total amount of work where the client supplies conceptual information pertaining to the project and we provide our quote based on own BOQ (Design and Build contract) or quoted rates for each respective items (item rate contracts). Cash contracts, irrespective of their type (i.e., lump sum, item rate, percentage rate or Design and Build), typically contain price variation or escalation clauses that provide for either reimbursement by the client in the event of a variation in the prices of key raw materials (e.g., steel and cement) or a formula that splits the contract into pre-defined components for materials, labour and fuel and links the escalation in amounts payable by the client to pre-defined price indices published periodically by the RBI or the Government. Some contracts do not include such price variation or escalation clauses. In such cases, we face the risk that the price of key raw materials and other inputs will increase during the project execution period and we will be unable to pass on the increases in such costs to the client. Please see "Risk Factors ¯ We are dependent on various sub-contractors and specialist agencies to construct and develop our projects as well as third-party transportation providers for the supply of raw materials and delivery of products. Any default on the part of our sub-contractors and providers may expose us to liability" on page xxii of this Red Herring Prospectus.
- ***BOT contracts*** are a relatively recent phenomenon developed to attract private sector investments in the development of projects in various sectors such as water supply, roads, bridges and power. Typically, BOT contracts involve the construction of an asset as required by the client, with partial or total financing arrangements provided by the bidders/contractors. BOT contracts require the successful bidder to construct, operate and maintain the asset through the concession period at its own expense. In return, the bidder is granted a right to collect revenues from the end users of the asset during the concession period through a pre-defined mechanism.
- **Annuity contracts** provide for the facility to be constructed, maintained and financed by the bidder. The client agrees to pay the successful bidder annuity payments in predetermined amounts at pre-defined intervals over the course of the concession period. However, the client retains ownership of the asset and collects revenues, if applicable, during the entire life of the project.
- For additional information regarding our current contract types, please see "Our Business - Order Book" on page 87 of this Red Herring Prospectus.

Order Book

Our order book comprises the unfinished and uncertified portions of projects that we have undertaken and includes the value of sub-contracting agreements that we enter into with our project companies for work to be performed by us. Our strategy is not focused solely on adding contracts to the order book but instead is focused on capturing quality contracts with potentially high margins. Our order book, was Rs. 16,118.3 million as of September 30, 2006, of which Rs. 12,299.5 million or approximately 76.3%, represented contracts with affiliates of the Company. The orders in our order book are subject to cancellation and modification provisions contained in the various contracts and other relevant documentation. Please see "Risk Factors - Projects included in our order book may be delayed or modified, which could materially harm our cash flow position, revenues and earnings" on page xxv of this Red Herring Prospectus.

Our Property Development Business

An Overview

We are a new entrant into the property development business, centred in the State of Andhra Pradesh. As of May 31, 2006, we owned or had won a bid to develop approximately 19.5 million square feet of saleable area.

We have been indirectly associated with the property development business since we started our construction business, as we undertook construction projects for mass housing and building projects. We aim to leverage our experience in the construction business to develop our property development business.

We are currently in the process of obtaining approvals to develop a large integrated IT park and township on a 100.0 acre plot on which we propose developing 18.5 million square feet of saleable area in Manikonda, Hyderabad. We also own land banks aggregating about 21.8 acres close to Ocean Park in Hyderabad, where we intend to develop a residential housing project with 1 million square feet of saleable area.

In addition, we have won a bid to develop an IT park and township on a 10.7 acre plot on which we propose to develop 2 million square feet of saleable area, in Vishakhapatnam in the State of Andhra Pradesh. The property is however under dispute.

We have no history of earning revenues from our property development business as this business has just commenced. Please see "Risk Factors - We are exposed to pre-construction related legal and regulatory risks. Further, two of our three property projects are subject to legal proceedings" and "Risk Factors - We may not be successful in identifying and undertaking projects, which may impede our growth" on page xxxviii of this Red Herring Prospectus.

Sources of Revenue

Our revenues are expected to come from the following sources:

- Development Revenues: these revenues would include charges levied for the development of the IT and the non-IT buildings
- Construction Revenues: these revenues would include charges levied for construction of the IT and non-IT buildings
- Commercial Revenues: these revenues would include earnings through advertising fees, lease rentals from retail and commercial space, car parking fees, public admission fees, entertainment and food zones, and hotel and business park developments, which we may either operate ourselves or lease to third party operators.

The following is a brief description of the property development projects that we are currently undertaking or planning to undertake:

Hyderabad Property Project

LHTPPL is a project company, of which we currently own 99.9% interest (and propose to own 74.0%), formed for the purpose of developing the Hyderabad Property Project. The cost of acquiring land from APIIC for the project is Rs. 42.7 million per acre, of which LHTPPL has paid Rs. 1,065.0 million through June 2006 as an advance towards acquisition of the land.

The project is expected to enjoy various incentives under the Andhra Pradesh ICT policy under which there is no restriction on floor space ratio and no restriction on high-rise buildings. In addition, we expect Hyderabad Property Project will be eligible for income tax exemptions under section 80 (IA) of the Income Tax Act, 1961 to the extent it covers the development of an IT park.

We have secured, subject to certain conditions, loan facilities aggregating Rs. 3,750.0 million in June 2006 with a consortium of banks led by Punjab National Bank.

We are currently in the process of applying for approvals for this project. We expect to commence development by the end of the quarter ending in December 31, 2006. We have applied to the Airport Authority of India for a no objection certificate to construct buildings and have so far received approval for 15 buildings out of the 28 buildings we applied for.

We are party to certain legal proceedings related to the shareholding in LHTPPL and for further details please see "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases Against the Company" on page 249 of this Red Herring Prospectus.

Description of the Project

The proposed project is, as of the date of this Red Herring Prospectus, one of the largest integrated IT Park in Hyderabad. Spread over 100.0 acres, the Hyderabad Property Project is located in Manikonda, Hyderabad. The park is close to leading globally recognised technology companies and institutions and 18 kms from the new Hyderabad International Airport. The proposed Hyderabad Property Project is expected to be designed and developed to support the operations of high-technology enterprises, especially in the fields of IT and IT-enabled services. The Hyderabad Property Project is planned as a strategic base for such high-tech companies that seek to establish their global research and development and back-offices in India. The "Walk to Work" concept, that would provide the occupants with the flexibility of living within walking distance of their work place, is being introduced for the first time in Hyderabad for such a large project.

- The commercial space is expected to have commercial office buildings with high-class office space and amenities, such as modern fitness and recreation centres, health clinics, food courts and cafeterias, banking and foreign exchange facilities, freight and courier services, shopping and recreation and business centres.
- The residential space is expected to comprise apartments ranging from studios to three bedroom apartments. We are proposing to construct high-rise buildings with 25.0% to 30.0% ground coverage. The high-rise buildings are expected to have 20 to 25 floors. In addition, we plan to build a special building with 70 floors, which would make it one of the tallest residential buildings in Southern India.
- The retail space is intended to be a one-stop shopping and recreational space with hotels and restaurant complexes for the people working in the commercial office buildings and those staying within Hyderabad Property Project.

Details of the Development Agreement with APIIC

As there are certain approvals required and formalities to be completed between us and APIIC, we expect to enter into a development agreement with APIIC by the end of the quarter ending December 2006. Upon signing of the development agreement, we would seek the approval of the government authorities for our master plan, including approvals from the pollution control board and fire departments and thereafter proceed towards appointment of EPC contractors to execute the project.

Appointment of Architects and Designers

We have appointed M/s Abhikalpan as our architects and designers for the IT Park and M/s RSP Bangalore as our architects and designers for the housing project.

Ocean Park Property Project

We also own approximately 21.8 acres of land on the outskirts of Hyderabad in close proximity to our Hyderabad Property Project. We propose to develop this property as a large residential project. We propose to implement this project over the next three years. Currently, we are in the process of seeking approvals from various State regulatory authorities for the development of the property.

Vizag Property Project

LITL was the highest bidder to develop the Vizag Property Project in Vishakhapatnam. It is a beach front property located in the heart of the city of Visakhapatnam. We propose to establish an integrated IT park and township at this site. LITL successfully won the bid for the land from APIIC at a cost of Rs. 76.1 million per acre on August 17, 2005. However, the allotment of this project is subject to the outcome of litigation pending before the Commissioner of Appeals, ULC, Hyderabad. For further details, please see "History and Corporate Structure – Shareholders and JV Agreements - " and "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases Against the Company" on pages 123 and 249 respectively of the Red Herring Prospectus. We have recently issued a cheque amounting to Rs. 80.0 million in favour of APIIC, with a request to encash the cheque only after the issue of an award revival letter in our favour.

Other Property Development Initiatives

In addition we have submitted bids for township development and business district development projects and are in the process of identifying land banks for private projects.

Competition

While we compete with other Indian and foreign companies in each of the power, infrastructure development and construction and property development sectors, we believe there are currently few companies that compete with us in all of our businesses. However, some of our competitors have more experience in the development and operation of power and infrastructure assets, particularly those that are constructing to international standards. In addition, a number of these companies may have more resources than us. Please see "Risk Factors - We compete with other Indian and foreign companies in each of the power, construction and property development sectors" on page xxx of this Red Herring Prospectus.

Power Business

The offtakers under the Kondapalli PPA and the Aban PPA currently guarantee payment only up to 80.0% and 85.0% PLF of Kondapalli Power Plant and Aban Power Plant, respectively. These power purchasers are not obligated to purchase any surplus power from us over and above our contractual amounts. Accordingly, to the extent we have surplus power that we wish to sell in the open market, we will have to compete with other power plant operators. Once the terms of our PPAs expire, we may also be required to compete on price with other power plant operators by selling our power in the open market. In addition, we may face future competition in acquiring new projects and assets from government entities or other power companies.

The regulatory environment for the power sector has undergone significant changes in the last two years. These changes include the removal of licencing requirements for the establishment and operation of thermal power plants, open access to transmission and distribution networks and the removal of certain restrictions on the right to build captive power plants. For further details, please see "Regulations and Policies" on page 114 of this Red Herring Prospectus. These changes may increase the financial viability of private generation investment, and increase the competition we face in the expansion of our power business.

We believe other companies that are active in the power sector include National Thermal Power Corporation, Reliance Energy Limited, Tata Power Limited, CESC, GVK Power, the Torrent Group, the GMR Group, the Essar Group, the Jaiprakash Group and Gujarat Industries Power Company Limited. In addition, we face substantial competition in the power trading business.

Construction Business

Currently, we face significant competition in our construction business from a number of Indian and international infrastructure developers and construction houses in acquiring both concessions for development projects and existing projects under the capacity augmentation program. The Government of India has taken a number of initiatives to stimulate private sector participation in the road sector, including the provision of capital grant subsidies, duty-free import of equipment, tax exemptions, allowance of foreign direct investment of up to 100% in the road sector and other State support initiatives. For further details, please see "Regulations and Policies" on page 114 of this Red Herring Prospectus.

We believe other companies that are active in the construction sector include Larsen & Toubro Limited, Reliance, Gammon, Punj Lloyd, GMR Group, and Infrastructure Leasing and Financial Services Limited.

Property Development Business

The success of our property development business will largely depend on the volume of and pace of development of the IT and IT-enabled services industries in the cities that we plan to operate, including Hyderabad and Visakhapatnam. During the past few decades, India has experienced rapid economic growth, which has been accompanied by a rising level of disposable income for many people, increasing the need to develop IT infrastructure and related add-ons in the form of state of the art housing, commercial and recreational facilities. All of these factors have contributed to a growing demand for integrated IT park development.

Our property development business is completely new. Our IT parks compete with other IT parks for domestic and international clients. Furthermore, we will still face competition for development of IT parks from other developers in India and from abroad, particularly those IT parks that are built to international standards and located in close proximity to us.

Additionally, we face competition from both domestic and foreign companies in bidding for new property development projects. Other Indian companies that have shown recent interest in the property development sector include DLF Group, Parsvanath Developers, Shappoorji Pallonji, L&T Limited, Raheja Group and IJM. A number of foreign property developers have recently formed consortia with Indian companies to bid for the property development projects. While we believe that we have certain advantages over our competitors (as evidenced most recently by our winning bid for Hyderabad Property Project over other consortia), there is no guarantee that we will be successful in future bids for new property development projects or that we will be able to compete successfully. Please see "Risk Factors – We compete with other Indian and foreign companies in each of the power, construction and property development sectors" on page xxx of this Red Herring Prospectus.

Insurance

We maintain a number of insurance policies including industrial all risk ("IAR") policy for the different risks involved in the operation of our businesses. In relation to the liability that may be imposed on our directors and officers, we maintain D&O insurance policies. For further information, please see "Our Management – Interests of Directors" on page 143 of this Red Herring Prospectus.

Given the inherent risks associated with our businesses and the terms of our financing documents, all our Subsidiaries and Associates with power plants, whether operational or not, maintain various insurance including IAR policies. In relation to our power business, we currently maintain loss of profit and industrial all-risk insurance for each of the Aban Power Plant, Rithwik Power Plant, Clarion Power Plant and Chitradurga Power Plant. In the case of the other power plants, which are not yet operational, we maintain loss of profit, construction all-risk, marine transportation, public liability and property insurance coverage. Each of Kondapalli Power Plant, Aban Power Plant and Rithwik and Clarion Power Plants is insured for its reinstatement value in the case of destruction or material damage. The other power plants are insured for their contract values under the relevant concession agreements.

In relation to our construction business, our operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, work accidents, fire, earthquake, flood and other *force majeure* events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. We may also be subject to claims resulting from defects arising from engineering, procurement or construction services provided by us within the warranty periods extended by us, which can range from 12 to 60 months from the date of commissioning. We obtain specialised insurance for construction risks and third party liabilities for most projects for the duration of the project and the defect liability period. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate. Risks of loss or damage to project works and materials are often insured jointly with our clients.

Our significant insurance policies consist of coverage for risks relating to physical loss or damage as well as business interruption loss. Loss or damage to our materials and property, including contract works, whether permanent or temporary, and materials or equipment supplied by us or supplied to us, are generally covered by “contractors’ all risks” insurance. Under the all risks insurance policy, we are also provided cover for price escalation, debris removal and surrounding properties. Under our general public liability insurance policy, we are indemnified against legal liability to pay damages for third party civil claims arising out of bodily injury or property damage caused by an accident during the project in the course of business.

We also maintain automobile policies and workmen’s compensation policies as well as hospitalisation and group personnel accident policies for our permanent employees.

In relation to our property development business, we propose to maintain loss of profit, construction and development risk coverage and industrial all-risk insurance for each of the property development projects that we are developing.

All of our insurance policies are subject to exclusions, deductibles and coverage limitations. Please see “Risk Factors - Operation of infrastructure assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses” on page xxxiii of this Red Herring Prospectus. For the year ended March 31, 2006, we purchased most of our insurance policies from United India Insurance Company Limited, Oriental Insurance Company Limited and National Insurance Company Limited, and IFFCO Tokyo, none of which are affiliated to us.

Real Properties

We currently lease the office and commercial space used for our operations in Hyderabad, New Delhi, Bangalore, Sikkim and Amarkantak from third parties at commercial rates. We own an office in Chennai which we have leased to APCL.

LKPPL owns the site on which Kondapalli Power Plant is situated. In addition, one of our other Subsidiaries, APCL, owns the site on which Aban Power Plant is situated. CPCL owns the site on which Clarion Power Plant is situated and RESL owns the site on which Rithwik Power Plant is situated.

Employees

As of October 9, 2006, we had 361 full-time employees, including two of our Promoters as Directors on our Board in our Hyderabad, New Delhi, Bangalore, Chennai, Sikkim, Himachal Pradesh, Uttaranchal and Amarkantak offices, as well as at the sites of our projects. The Hyderabad office contains our principal corporate offices and conducts administrative and reporting activities for us. All of our employees are remunerated with basic salary and other benefits in-kind with reference to industry practice and their individual performance.

As part of our strategy to improve operational efficiency, we regularly organise in-house and external training programs for our employees. As part of our strategy to improve our business, we aim to recruit qualified and talented employees.

Our employees are not covered by any collective bargaining agreements. We have not experienced any material strikes, work stoppages, labour disputes or actions by or with our employees, and we consider our relationship with our employees to be good.

Trademarks

We conduct most of our business under the trademark of “Lanco – Inspiring Growth” as it appears on the cover page of this Red Herring Prospectus. Mr. L. Rajagopal, a former director of LITL and part of our Promoter Group, owns the logo. Pursuant to a Deed of Trademark License, dated June 14, 2006, between L. Rajagopal and LITL, L. Rajagopal has granted a non-exclusive and non-assignable right to LITL to use the logo as part of its corporate or trade name or trading style. The Deed also authorises LITL to allow the use of this trademark by its subsidiaries. The Deed is for a period of 15 years and may be terminated upon the breach of any material terms or conditions of the Deed, if there is a potential litigation associated with licencee's use of the trademark that may attract adverse publicity, if in the licensee's opinion, LITL is no longer a part of the Lanco group of companies or due to any other factor that may have a material adverse effect on the parties to the Deed or the enforceability of the Deed. The consideration for the licencing is a one-time fee of Rs. 100.0. The trademark has been registered with the Trade Marks Registry, Mumbai with the registration number 1087459 with effect from March 15, 2002. The registration is valid for a period of ten years with a provision for extension for an additional period of ten years. Please see "Government Licenses and Approvals- Regulatory Approvals" on page 259 of this Red Herring Prospectus and also "Risk Factors - We do not own the "Lanco" trademark or logo used in all of our businesses" on page xxxi of this Red Herring Prospectus.

Risk Management

We are exposed to specific risks in connection with the management of our investments and the environment within which our operating companies operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that our organisation adheres, as far as reasonably and practically possible, to the policies and procedures which are established to address these risks.

We are primarily exposed to credit risk, market risk (including liquidity risk, interest rate risk and foreign exchange risk), operational risk and legal risk. We focus on monitoring credit and market risks, as well as portfolio and operational risk, through senior management personnel in each of our businesses. Legal risk is subject to the review of our legal department and external advisors. For a detailed discussion of these market risks and how they are expected to impact our liquidity and capital resources, please see "Management's Discussion and Analysis of Financial Conditions and Results of Operations ¯ Quantitative and Qualitative Disclosure about Market Risk" on page 223 of this Red Herring Prospectus.

Environmental Liability

The Power Sector

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and environment protection groups is leading to greater inspection and safety requirements of power plants. Increasing environmental concerns have created a demand for power plants that conform to stricter environmental standards. We are required to maintain operating standards at all of our power plants that emphasise operational safety, quality maintenance, continuous training of our employees and compliance with laws and regulations. We believe that the operation of our power plants is in substantial compliance with applicable environmental laws and regulations, but such laws and regulations are frequently changed and may impose stricter requirements in the future. In addition, the interpretation or application of any existing laws and regulations may change, and such change may also have the effect of imposing stricter requirements and higher costs on us. Kondapalli Power Plant and Aban Power Plant comply with ISO 14001 and OHSAS 18001 standards. In 2002, Kondapalli Power Plant won a Leadership and Excellence award in Safety, Health and Environment Award from CII. Also, Clarion Power Plant is registered with UNFCCC. Besides Clarion and Rithwik Power Plants, Kondapalli, Aban, Chitradurga, Vamshi Industrial/Hydro, Teesta VI and Uttaranchal Power Plants and Projects are expected to be eligible for UNFCCC registrations so as to enable the Group to avail of the Kyoto Protocol benefits.

On the property development business, we need to seek approvals from APIIC and other environmental agencies to ensure that our development projects meet all the environmental requirements.

Legal Proceedings

We are involved from time to time in litigation incidental to our business. While we cannot predict the outcome of any pending or future litigation, examination or investigation, based on the amounts sought in pending actions against us and our history of resolving litigation matters in the past, as well as the advice of legal counsel, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations.

For further details, please see "Outstanding Litigation and Defaults" on page 249 of this Red Herring Prospectus for a more comprehensive discussion of this disputes and a detailed list of legal proceedings in which we are involved.

DESCRIPTION OF CERTAIN IMPORTANT PROJECT CONTRACTS

Our Company, its Subsidiaries and Lanco Kondapalli have entered into certain project contracts that are important for our business operations and profitability. With the view to familiarize investors with the key contractual arrangements that bind us, please find below a summary of the important commercial contracts that we have entered into.

Lanco Kondapalli Power Plant

Lanco Kondapalli PPA

Lanco Kondapalli has agreed to develop, finance, construct, complete, own and operate the Kondapalli Power Plant and sell the capacity and energy generated by the Kondapalli Power Plant to APPCC pursuant to a long term PPA entered into by Lanco Kondapalli with APSEB on March 31, 1997.

APPCC has agreed to purchase all the available capacity of the Kondapalli Power Plant for the consideration of the capacity charge and has agreed to purchase the net electrical energy of the Kondapalli Power Plant for the consideration of the energy charge. The capacity charge of the Kondapalli Power Plant is a sum of the following amounts subject to the limitation that the total of such amounts shall not exceed an amount corresponding to a PLF of 80%:

a) foreign debt service charge of US$ 0.01628 per unit of cumulative available energy (payable solely in respect of the period ending 12 years from the COD) ; and

b) other fixed charges of Rs. 0.4776 per unit of cumulative available energy (fixed throughout the term of this PPA).

The energy charges shall be computed based on the formula provided in the PPA.

The Lanco Kondapalli PPA provides that in case APPCC has fails to issue dispatch instructions in relation to the power being generated, it would be required to reimburse Lanco Kondapalli for charges paid in respect of such failure. The Lanco Kondapalli PPA also provides for certain incentives wherein if the Kondapalli Power Plant achieves a PLF greater than 80%, then APPCC would pay to Lanco Kondapalli a percentage of the fixed charge in such tariff year as an incentive for such additional units of actual generation in excess of the PLF of 80%. In case the PLF is less than 80% for that tariff year, Lanco Kondapalli would refund an amount which would be the sum of the monthly capacity charges paid during such tariff year multiplied by a fraction, the numerator of which would be the percentage by which the PLF was less than 80%, and the denominator of which is 80%. However if the Kondapalli Power Plant is unable to achieve a PLF of 68.5%, Lanco Kondapalli will pay APPCC a penalty as a percentage of the fixed charges.

This Lanco Kondapalli PPA is valid for a period of 15 years from the COD unless terminated earlier. It may however be renewed for such further period on such terms and conditions as may be mutually agreed. If the parties do not mutually agree to renew the PPA, APPCC would have the first option to purchase the Kondapalli Power Plant at the terminal value plus any transfer costs and transfer taxes. Such option may be exercisable during the 60 day period immediately preceding the expiration of the initial term and Lanco Kondapalli would notify APPCC of its acceptance or rejection within such 60 day period or 15 days after the date of APPCC's offer, whichever is later. If APPCC's offer is not accepted, Lanco Kondapalli may solicit offers from third parties or sell power from the Kondapalli Power Plant to third parties provided that APPCC would have the first right of refusal (exercisable within 30 days of receipt of the offer by Lanco Kondapalli) with respect to any bonafide offer received by Lanco Kondapalli which it wishes to accept upon mutually satisfactory terms of payment. If APPCC fails to exercise such a right, or the parties fail to agree on the terms of payment, Lanco Kondapalli may dispose off the Kondapalli Power Plant as it may deem fit, subject to the prevailing law.

Payment Security Mechanism

The payment obligations of APPCC to Lanco Kondapalli are secured by way of a three-tier credit support mechanism comprising of a revolving letter of credit, an escrow account and a guarantee from the GoAP.

Gas Supply Agreement, as amended

LKPPL entered into a gas supply contract dated August 21, 2000 with GAIL for the supply of natural gas. GAIL agreed to sell and deliver the gas as required by LKPPL, subject to the maximum of 1.46 million standard cubic metres per day on a firm basis and an additional 0.3 million standard cubic metres per day. LKPPL has guaranteed to pay for minimum offtake of 80.0% of the firm allocation of 1.46 million standard cubic metres per day. During each month, LKPPL is required to pay the sum of:

a) In respect of the days during such month on which GAIL was able to supply the minimum quantity of gas but LKPPL had offtaken the supply, then actual quantity supplied to the company aggregated during such number of days; plus

b) In respect of the days during such month on which GAIL was able to supply the minimum quantity of gas but LKPPL was unable to offtake, then 80.0% of the firm allotment quantity of 1.46 million standard cubic metres of gas per day multiplied by such number of days that LKPPL was unable to offtake; plus

c) In respect of the days during such month on which GAIL was unable to supply the minimum quantity then for the actual gas supplied and offtaken by LKPPL aggregated during such number of days.

GAIL shall fix the price of gas as per the GoI directions, such price being exclusive of royalty, taxes and such other statutory duties, as applicable or to be levied by the central or State Governments on the purchase of gas from ONGC or other producers of GAIL.

In addition to the above, LKPPL shall pay a fixed monthly transmission charge of Rs. 48,825,084 per month for the facilities provided by GAIL for the supply of gas to LKPPL's delivery point. LKPPL shall also pay such additional transmission charges to GAIL as required from time to time.

LKPPL is required to open and maintain, at its cost, an irrevocable standby revolving letter of credit with any nationalized bank covering the value of 16 days supply of gas at maximum contracted quantity plus monthly transmission charges and continue to maintain such letter of credit for the entire period of the fuel supply agreement.

The agreement is valid up to December 31, 2010 and may be extended upon such terms and conditions as may be mutually agreed upon by the parties.

Operation and Maintenance Agreement dated October 6, 1997 and amendments thereto

Lanco Kondapalli entered into an agreement for operation and maintenance of the Kondapalli Power Plant dated October 6, 1997 with GLPPL (formerly known as Eastern Generation Services (India) Private Limited) (the "**Operator**").

The O&M Agreement is effective until the 15th anniversary of the date on which Lanco Kondapalli assumes custody and control of the facility from Doosan Heavy Industries and Constructions Company Limited ("**Doosan**"), the EPC contractor, in accordance with the EPC. The O&M Agreement can be renewed for two terms of five years each.

The Operator agreed to operate and maintain the facility (except for the warranty repairs) and agreed to assist the EPC contractor at no extra cost in relation to the warranty repairs. The Operator is required to perform scheduled and unscheduled maintenance (except warranty repairs).

The parties agreed that the operational stage will commence on the acceptance date and continue during the term of this O&M Agreement. The total operation and maintenance cost will comprise of fixed operation costs and expenses and reimbursable costs.

As per the terms of the O&M Agreement, the Operator is required to operate the facility at an annual PLF of at least 90% starting from and including the first tariff year. Bonus is payable by Lanco Kondapalli to the Operator for every 1% increase in the PLF above 90% (and pro rata for each percentage point) and liquidated damages are payable by the Operator to Lanco Kondapalli for every 1% decrease in the PLF below 90%.

Long Term Assured Parts Supply Agreement

Lanco Kondapalli entered into a long term assured parts supply agreement dated November 25, 2001 (amended on April 5, 2004) with General Electric Energy Parts Inc (the "**Contractor**") for the Kondapalli Power Plant. The Contractor has agreed to supply the following:

- assured supply of parts for enabling planned and unplanned maintenance;
- supply of extra parts;
- supply of new technology parts;
- use of commercially available technology for assured supply of parts;
- supply of certain refurbished parts; and
- supply initial spare parts before February 1, 2002.

The agreement is effective from the date of the contract and would terminate when all the covered units reach the performance end date (i.e., the date when each covered unit reaches the later of 84,000 factored fired hours of operation from January 1, 2002 or the completion of the second major inspection) or 14 years from the date of the agreement, whichever is earlier.

In consideration for the above services, Lanco Kondapalli is required to make periodic payments for each quarter based on the total number of factored fired hours in a month and such additional payments for the gas turbines as prescribed under the relevant schedule to the agreement.

Long Term Maintenance Agreement

Lanco Kondapalli also entered into a long term maintenance agreement dated November 25, 2001 (as amended on April 5, 2004) with General Electric International Inc. ("**Contractor**").

Under the agreement, the Contractor is under the obligation to provide mobilization services, planned and unplanned maintenance, extra work, removal of parts from the site, monitoring systems and contract performance management of the covered units.

Lanco Kondapalli must make quarterly periodic payments consisting of a monthly fee with effect from January 1, 2004 along with a variable fee plus the applicable bonus to be paid in the fourth quarter for the year. These periodic payments however, are subject to revision based on the composite index formulae provided in the agreement.

As per the amendment to the agreement, the Contractor's liability for any one year is capped while the total cumulative liability of the Contractor shall not exceed the price in the agreement, except for liability arising out of extra work which is limited to the service price of the extra work while the limit for any warranty shall be the service price for the service in respect of which the warranty is provided.

Anpara Power Project

LKPPL had submitted a bid to develop and operate the Anpara Power Project in the State of Uttar Pradesh to UPRVUNL on June 6, 2006. Consequently, UPRVUNL, through its letter of acceptance dated September 27, 2006 (LOA), informed LKPPL that its bid for the Anpara Power Project was successful. The LOA also indicates that an SPV be incorporated within two months of the receipt of the LOA and towards this end, Lanco Anpara was incorporated on June 12, 2006. For further details in relation to Lanco Anpara, please refer to the section titled "Our Promoter - Promoter Group - Lanco Anpara Power Private Limited" on page 150 of this Red Herring Prospectus.

Further, the LOA prescribes a timeline of two months for the execution of certain project documents in relation to the Anpara Power Project including a PPA, a facilities and services agreement, a default security agreement, a default contingency agreement, an implementation agreement and a land lease (drafts of which agreements/documents have been intialled by LKPPL), which project documents would be subject to certain further formalities including a review by the Evaluation Committee of UPRVUNL. The LOA further records that the contractual relationship between LKPPL, the Government of Uttar Pradesh and UPRVUNL would be solely governed, inter alia, by the final RFP.

The final RFP indicates that certain existent systems and facilities of the Anpara 'A' and 'B' power stations that are located adjacent to the Anpara Power Project will also be shared with Anpara Power Project. These facilities include the coal transportation system, the ash transportation and handling system, the switchyard and start-up power system and the water system. These sharing arrangements will be set forth in the facilities and services agreement, as aforesaid.

Prior to the RFP, the UPRVUNL had issued an RFQ to the potential bidders (including LKPPL) in October 2004 whereby it was indicated that the aggregate shareholding of such potential bidders, whether they are a consortium or a sole applicant, in the SPV that would execute the Anpara Power Project is required to be maintained at 51% during the construction period and during three years after the full commissioning of the Anpara Power Project and at 26% for the remaining period of operation of the Anpara Power Project. Further, the lead member of the consortium would have to hold a stake of 26% in the SPV up to three years after the full commissioning of the Anpara Power Project. The Anpara Power Project was bid for by a consortium of the Lanco group of companies including LITL, LKPPL, Aban, Rithwik and Clarion with LKPPL as the lead member and for further details in relation to the shareholding information of Lanco Anpara, please refer to the section titled "Our Promoter - Promoter Group - Lanco Anpara Power Private Limited" on page 150 of this Red Herring Prospectus.

Draft Power Purchase Agreement

Whilst Lanco Anpara intends to enter in to a PPA with the Discoms of Uttar Pradesh ("**Buyers**") for a total capacity of 1,000 MW (the draft format of which is provided in the RFP), the same The parties are currently in discussion to finalise the terms of the PPA. It is to be understood that that the terms contained hereinbelow are subject to change upon their finalization.. Pursuant to the bid invitation extended by UPRVUNL on behalf of UPPCL and distribution companies owned by UPPCL, including the Buyers, Lanco Anpara is required to build, own, operate and maintain the Anpara Power Project for the purpose of selling all available capacity and dispatched electrical output to the Buyers on the terms and conditions contained in the PPA, RFQ and RFP.

The agreement is valid until the expiry of 29 years from the date of the agreement unless terminated earlier as provided in the agreement. The Buyers would have the right to extend this agreement for five years by giving a written notice to Lanco Anpara between the 26th and 28th anniversary of the agreement. It is provided that if the conditions precedent are not satisfied or have not been duly waived within 14 months from the date of LOA, any party may terminate this agreement upon giving written notice.

Lanco Anpara is required to provide certain performance bonds to each of the Buyers. The performance bonds shall be released by the Buyers upon (a) contribution of 60% of the total equity investment proposed for the project and (b) Lanco Anpara contributing not less than 30% of the capital costs. The Buyers are entitled to encash 50% of the performance bonds upon an event of default following which Lanco Anpara is required to within 30 days reinstate all the performance bonds to their full amount.

As per the terms of the agreement, Lanco Anpara is required to sell the contracted capacity at the agreed tariff for all the available capacity, scheduled generation and electrical output of the power station through out its operating period, as contained in the agreement. The tariff would be the sum of recoverable capacity (fixed) charges, energy charges and incentive payment. The Buyers shall make the payment upon submission of the monthly tariff invoice or supplementary invoice within 30 days from its presentation. Any amount remaining unpaid after the due date would bear an interest which is to be compounded with monthly rests at a rate equal to SBI PLR. If a party does not dispute an invoice within 120 days of receiving it, it would be considered complete and conclusive.

Except as contained in the agreement Lanco Anpara shall not grant to any third party or allow any third party to obtain any entitlement to the available capacity, scheduled generation and electrical output. Further it cannot use any of the electricity generated by the Anpara Power Plant during the term of this agreement except for the purpose of meeting its auxiliary requirement.

The required COD for the first unit would be 54 months after the issue of LOA and for the second unit would be 58 months after the issue of LOA and the same may be extended as provided in the agreement. In case of failure to commission any unit within the requisite COD, Lanco Anpara is required to pay each Buyer such liquidated damages as contained in the agreement. It is further provided that Lanco Anpara shall enter into fuel supply agreements only with the express written consent of the Buyers.

It is provided that the failure to commission any unit within six months from its required COD or Lanco Anpara's failure to achieve financial closure within 14 months from the date of issue of the LOA or its failure to commence actual construction of the Anpara Power Project within six months of financial closure would amount to an event of default, amongst others, and may result in termination of the PPA. It is further provided that notwithstanding anything contained in the agreement the aggregate liability of any party shall not exceed Rs. 50 million in any given year.

It is provided that the agreement may not be assigned to any party and no party can create or permit to subsist any encumbrance over any of the rights and benefits under this agreement other than upon mutual consent.

Payment Security Mechanism

The PPA provides that the Principal Buyers are required to issue a rupee denominated irrevocable revolving standby letter of credit within six months prior to the required COD. The value of such standby letter of credit shall be equal to 1.10 times the monthly tariff payments calculated as per the agreement. The letter of credit shall be provided no later than 20 days before the commissioned date of the first unit, which is the date on which the unit passes the commissioning test for the commercial operation of that unit or no later than 30 days prior to the expiry of the earlier letter of credit.

Before financial closure, the parties are required to enter into one or more default contingency agreements in the agreed form for the establishment and operation of default contingency accounts into which the buyers shall deposit their revenues. Such amounts would be hypothecated to Lanco Anpara and it may draw upon the default contingency accounts in respect of the unpaid sums of money due under the monthly tariff invoice. It is provided that the default security agreement is the only payment security mechanism and the buyer standby letter of credit is merely the standby payment mechanism.

Coal Supply Arrangement

The MoCM accorded coal linkage for the Anpara Power Project to UPRVUNL on August 1, 2002 on a cost plus basis. As per the said approval from the MoCM, the Anpara Power Project is eligible to a quantity of 4.50 TPA from the Khadia Expansion Opencast Project of Northern Coalfields Limited. In terms of the RFP, the said linkage would have to transferred by UPRVUNL in favour of Lanco Anpara and therafter the said linkage would be subject to the execution of a fuel supply agreement between Lanco Anpara and Northern Coalfields Limited.

Aban Power Plant

Power Purchase Agreement

Aban entered into a PPA dated September 1, 2003 with TNEB under which TNEB agreed to purchase the entire electricity generated by the Aban Power Plant and guaranteed a minimum offtake at a PLF of 85% over each of the tariff periods. The tariff payable by TNEB consists of a monthly fixed charge and a monthly variable charge component and payments pursuant to supplementary invoices. The basis of the monthly fixed charge component and a monthly variable component is to be calculated according to individual tariff component provided for in the tariff table in the PPA. The PPA also provides for certain rebates in the event of early payment by the offtakers. The levelised tariff rate for the project is Rs. 2.2278 /kwhr.

In addition, the PPA provides for incentive payments to be made to APCL, for every additional unit of electricity, in the event dispatch exceeds 85% actual PLF.

TNEB is entitled to terminate the PPA, *inter alia*, if the adjusted PLF of the project for a continuous period of 12 months is less than 60%. APCL is entitled to sell the power to third parties with TNEB's consent or on default by TNEB.

The PPA is valid for an initial period of 15 tariff periods from the COD and may be renewed by the parties for a term mutually agreed by the parties. The tariff for the renewed terms may be mutually agreed by the parties. TNEB is entitled to purchase the Aban Power Plant at a buy out price calculated in accordance with the formula provided for in the PPA, 180 days prior to the expiry of the initial term.

The PPA stipulates that the shareholding of Aban Lloyd Chiles Offshore Limited in Aban is required to be maintained at 26.0% till the completion of the first five tariff periods. Pursuant to the reorganisation process, shares of Aban representing 13.31% of the capital of Aban were acquired by the Company from Aban Power Ventures Limited and Aban Lloyd Chiles Offshore Limited (directly and through its affiliates) currently owns 12.69% of the shares of Aban.

Gas Supply Agreement, as amended

APCL and GAIL entered into a fuel supply and transportation agreement on March 28, 2002 ("FSA"), for the supply and purchase of natural gas. The FSA is valid up to December 31, 2010 and can be renewed by the parties at least six months before the expiry of the initial term for a term mutually agreed by the parties. The FSA has been amended on various occasions revising the transmission charges.

Under the FSA, APCL is required to provide a security deposit and a bank guarantee, as prescribed, to GAIL. It was agreed by the parties that GAIL would pay simple interest at the rate prescribed to APCL on the amount of such security deposit.

Under the FSA, APCL is required to pay the price of gas calculated as per the pricing order issued by the GoI from time to time, exclusive of royalty, taxes, duties, transportation charges, leviable by the relevant Government or local bodies on purchase of gas from ONGC or other producers by APCL or on sale from GAIL to APCL and such extra costs are to be borne by APCL. In addition to the price of gas, APCL is also required to pay the prescribed monthly transmission charges and additional transmission charges for the facilities provided by GAIL for the supply of gas. The monthly transmission charges are to be increased at the prescribed rate on an annual basis with effect from April 1, 2005.

APCL is required to maintain a letter of credit for the benefit of GAIL during the subsistence of the FSA which may be utilized by GAIL in case of non-payment of an invoice by APCL.

APCL is obligated to purchase no less than 0.5 million standard cubic metres per day of natural gas per year. APCL is required to offtake a minimum of 80.0% of the firm quantity of 0.5 million standard cubic metres per day from GAIL.

In respect of each month, APCL is required to pay the sum of:

a) In respect of the days during such month on which GAIL was able to supply the minimum quantity of gas and APCL had offtaken the supply, then actual quantity supplied to the company aggregated during such number of days; plus

b) In respect of the days during such month on which GAIL was able to supply the minimum quantity of gas but APCL was unable to offtake, then 80.0% of the firm allotment quantity of 0.5 million standard cubic metres of gas per day multiplied by such number of days that APCL was unable to offtake; plus

c) In respect of the days during such month on which GAIL was unable to supply the minimum quantity then for the actual gas supplied and offtaken by APCL aggregated during such number of days.

The FSA was further amended on February 6, 2006, whereby GAIL agreed to supply additional quantity of gas above existing maximum contracted quantity of 500,000 standard cubic meters per day on short term or temporary basis due to less drawal by other consumers or shut down by some consumers. APCL is allowed to avail this facility upon payment of an additional monthly transportation charges at the rate of Rs. 243.70/1000 SCM over and above the maximum contracted price.

Long Term Assured Parts Supply Agreement

Aban entered into a long term assured parts supply agreement dated August 4, 2004 with General Electric Energy Parts Inc (the "**Contractor**") for the Aban Power Plant. The Contractor has agreed to supply the following:

- assured supply of parts for enabling planned and unplanned maintenance;
- supply of extra parts;
- supply of new technology parts;
- use of commercially available technology for assured supply of parts;
- supply of certain refurbished parts; and
- supply initial spare parts before December 31, 2004.

The agreement is effective from the date of the agreement and would terminate when all the covered units reach the performance end date (i.e., the date when each covered unit reaches the later of 112,000 factored fired hours of operation from the maintenance start date/ commercial operation date for the covered unit or the completion of the second major inspection) or 16 years and six months from the date of the agreement, whichever is earlier.

In consideration for the above services, Aban is required to make periodic payments for each quarter based on the total number of factored fired hours in a month and such additional payments for the gas turbine as prescribed under the relevant schedule to the agreement.

Long Term Maintenance Agreement

Aban also entered into a long term maintenance agreement dated April 4, 2004 with General Electric International Inc. ("Contractor").

Under the agreement, the Contractor is under the obligation to provide mobilization services, planned and unplanned maintenance, extra work, removal of parts from the site, monitoring systems and contract performance management of the covered units.

Aban must make quarterly periodic payments consisting of a monthly fee along with a variable fee as provided in the agreement. These periodic payments however, are subject to revision based on the composite index formulae provided in the agreement.

The Contractor's liability for any one year is capped while the total cumulative liability of the Contractor shall not exceed the agreement price.

Nagarjuna Power Project

Power Purchase Agreement with the Escoms of Karnataka

Nagarjuna entered into a PPA dated December 26, 2005 with the Bangalore Electricity Supply Company Limited, Mangalore Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited, Hubli Electricity Supply Company Limited and Chamundeshwari Electricity Supply Corporation Limited (the "**Principal Buyers**") in relation to the electricity generated by the Nagarjuna Power Project. The Principal Buyers are distribution license holders and are engaged in the business of distribution of electricity in the State of Karnataka.

Nagarjuna has offered to sell 90% of the electricity generated by the Nagarjuna Power Project to the Principal Buyers and the balance of the gross capacity may be sold to any other buyers outside the State of Karnataka.

This PPA is valid for 25 years from the COD, unless terminated earlier. At least two years before the end of 25 years, either parties may request for an extension of time and the PPA may be renewed for such period.

The tariff would be the sum of recoverable capacity (fixed) charges, energy charges and incentive payment (if any) in the manner detailed hereunder:

- recoverable capacity (fixed) charges include O & M charges of 2.25% of the project cost, rate of return of 14%, target availability and auxiliary exemption as specified in the PPA;
- energy charges would be the sum of recoverable cost of primary fuel, secondary fuel and lime;
- incentives would be payable at a flat rate of Rs. 0.25 per KWHR for ex-bus scheduled energy corresponding to scheduled generation in excess of ex-bus energy corresponding to target generation.

It is provided that Nagarjuna would be entitled to foreign exchange protection with respect to any rupee payment to be made by the Principal Buyers to the extent that such payment represents base equity return and cost of fuel.

If Nagarjuna fails to achieve the COD of both units of the Nagarjuna Power Project by the 49th month from the effective date of this PPA, unless agreed otherwise, such failure will be considered to be an event of default.

Except as provided in the PPA, neither party may assign or otherwise transfer any of its rights or obligations under the PPA without the prior written consent of the other party.

Payment security mechanism

The PPA provides that the Principal Buyers are required to provide the following securities failing which Nagarjuna may discontinue/ reduce supply of electricity from the Nagarjuna Power Project:

- *Letter of Credit:* The Principal Buyers shall provide an irrevocable, unconditional, transferable, confirmed, revolving letter of credit for an amount equal to one and a half month's payments in favour of Nagarjuna that shall be made available at all times during the term of the PPA.
- *Escrow Account*: The escrow facility would cover the interest on the debt repayment liability of Nagarjuna corresponding to the finance document and energy charges, limited to the extent of the contracted capacity. For the purpose of

determination of the escrow cover, the debt in relation to the Nagarjuna Power Project is restricted to 70% of the cost.

- *State government guarantee*: the Principal Buyers are required to obtain a guarantee from the Government of Karnataka against the supply of power from the Nagarjuna Power Project in order to guarantee the performance of the Principal Buyers' obligations. The guarantee is limited to a maximum extent of Rs. 4,000 million during each financial year.

Power Purchase Agreement with PSEB

Nagarjuna entered into another PPA dated September 29, 2006 with the PSEB for the balance 10% electricity generated by the Nagarjuna Power Project. For the purpose of this agreement the effective date would be December 26, 2006. The scheduled COD for the first unit will be the end of 38th month from the effective date and that of the second unit will be the end of 42nd month from the effective date.

This PPA is valid for 25 years from the COD of the second unit. At least two years before the end of 25 years, either parties may request for an extension of time and the PPA may be renewed for such period. It is provided that all the technical, commercial, legal and other terms and conditions of this agreement are similar to the terms and conditions contained in the PPA with the five Escoms of Karnataka. In the event of any change to the PPA with the five Escoms of Karnataka, similar changes are to be offered to PSEB with an option to accept or reject the same. All changes/ modifications to be made to this agreement are subject to the approval of the CERC/ PSERC/ KERC, as the case may be.

PSEB is required to reimburse the fuel charges incurred by NPCL for generation of infirm power prior to COD. Such reimbursement would be on the basis of actual fuel consumption to the extent of dispatch of such infirm power.

The tariff would be the sum of recoverable capacity (fixed) charges, energy charges and incentive payment (if any) in the manner detailed hereunder:

- recoverable capacity (fixed) charges include O & M charges of 2.25% of the project cost, rate of return of 14%, target availability and auxiliary exemption as specified in the PPA;
- energy charges would be the sum of recoverable cost of primary fuel, secondary fuel and lime;
- incentives would be payable at a flat rate of Rs. 0.25 per KWHR for ex-bus scheduled energy corresponding to scheduled generation in excess of ex-bus energy corresponding to target generation.

Billing and payment of capacity charges raised by NPCL on the basis of regional energy account of the authorized agency shall be done on a monthly basis as per the CERC guidelines notified from time to time. It is provided that NPCL would be entitled to foreign exchange protection with respect to any rupee payment to be made by the PSEB to the extent that such payment represents base equity return and cost of fuel.

If the invoice payment is made within five business days from the acknowledgement date, a rebate of 2% is to be allowed. If payments are made within a period of one month, a rebate of 1% would be allowed. Further, the prevailing CERC guidelines on rebate would also be binding.

If NPCL fails to achieve the COD of both units of the Nagarjuna Power Project by the 49th month from the effective date of this PPA, unless agreed otherwise, such failure will be considered to be an event of default.

Except as provided in the PPA, neither party may assign or otherwise transfer any of its rights or obligations under the PPA without the prior written consent of the other party.

Payment security mechanism

The PPA provides that the PSEB is required to provide a default escrow account as fall back arrangement to the payments required to be made under this agreement. The escrow facility is required to cover the total tariff invoice i.e., the capacity charge including interest on debt and facility debt repayment liability of NPCL corresponding to the financing document, return on equity and energy charges limited to the extent of the contracted capacity. The escrow facility is required to be operationalised within 90 days from the COD. Further, for the purpose of determination of escrow cover, the debt of the project will be restricted to 80% of the facility cost.

Coal Purchase Agreements

Nagarjuna has entered into coal purchase agreements with PT Adaro Indonesia and Glencore International AG. These agreements would be effective from the date of commissioning of the Nagarjuna Power Project and will remain in force for a period of 12 years from that date.

In addition to the above, Nagarjuna has also entered into the following contracts:

- EPC services contract with BHEL effective from December 28, 2005;
- EPC supply contract with BHEL effective from December 28, 2005;

- Civil works contract with Simplex Infrastructures Limited ("**Simplex**") effective from March 22, 2006;
- Supply contract for external BOP systems with Simplex effective from March 22, 2006;
- Road works contract with Simplex effective from March 22, 2006;
- Railway works contract with Simplex effective from March 22, 2006;
- Contract for coal jetty construction with Navayuga Engineering Company Limited ("**Navayuga**") effective from April 10, 2006;
- Supply contract for external coal handling system with Navayuga effective from April 10, 2006;
- Contract for erection, testing and commissioning services of external coal handling system with Navayuga effective from April 10, 2006; and
- A letter of award dated December 28, 2005 issued by BHEL in relation to the contract for design, supply, construction, erection, commissioning and testing of various balance of plant packages.

The above contracts are valid from their respective effective dates until the expiry of the defect liability period, which is the period of validity of guarantees given by BHEL/ Simplex/ Navayuga as the case may be.

Lanco Amarkantak Power Plant

Power Purchase Agreement

LAPPL has entered into PPAs dated May 11, 2005 and October 19, 2005 to sell the entire electricity generated by Unit I and Unit II of the Lanco Amarkantak Power Plant, respectively to PTC for a period of 25 years from the commencement of commercial operations, which term may be further renewed mutually by the parties and such extension shall include an agreement between the parties for tariff, capacity and operating characteristics.

As regards the PPA dated May 11, 2005, it is stipulated that the overall tariff payable by PTC to Lanco Amarkantak during the term of this PPA would be subject to an overall limit equal to the cumulative of the levelised tariff for the first twelve years at the rate of Rs. 2.18 per KWH and over 25 years (being the term of this PPA) at the rate of 2.20 per KWH. By an amendment dated August 2, 2005, the overall tariff payable by PTC to Lanco Amarkantak during the term of this PPA was increased and it was provided that (a) if the escalation in coal prices is more than 5% on compounded annual basis from COD; and (b) until the coal requirement of Lanco Amarkantak is sourced from South Eastern Coalfields Limited, the levelised capped tariff rate under the PPA may be revised, subject to ensuring that such tariff does not exceed Rs. 2.25 per KWH over 25 years.

As regards the PPA dated October 19, 2005 stipulated that the overall tariff payable by PTC to Lanco Amarkantak would be subject to an overall limit equal to the cumulative of the levelised tariff for the first twelve years at the rate of Rs. 2.25 per KWH and over 25 years (being the term of this PPA) at the rate of 2.34 per KWH.

LAPPL is required to maintain a one month revolving letter of credit to secure the payments under the respective PPAs.

Fuel Supply Agreement

LAPPL entered into a coal supply agreement with South Eastern Coal Fields Limited ("**SECL**"), a subsidiary of Coal India Limited on December 31, 2005 for Lanco Amarkantak Power Plant. The agreement would remain in force for a period of 10 years, subject to a review after five years, and extendable for another five years.

Under the agreement, SECL has the absolute obligation to sell and deliver the coal mined and produced by SECL from the linked coalfields and in case of failure to do so, whether due to *force majeure* or default, SECL is required to source the requisite quantities from alternate sources for LAPPL. Notwithstanding the above, LAPPL has the right to procure the shortfall from other sources as long as such procurement is completed within three months of the month in which the shortfall occurs.

The annual contracted quantity of coal to be supplied by SECL is 1.2 million tonnes (80% of issued linkage quantity of 1.5 million tonnes) per operating year of 12 calendar months however where an operating year is less than 12 months, the contract quantity shall be prorated accordingly.

The base price payable for the purchase of coal is determined by the coal price notifications issued by Coal India Limited or by any other body designated by Coal India Limited, from time to time. The price of coal delivered is to be computed by including the sum of the base price, sizing charge, transportation charges up to the delivery point and statutory charges. The base price of different grades of coal is to be determined as per the schedule provided in the coal supply agreement. LAPPL is also required to pay sizing charges, statutory charges and transportation charges as well as a quantity bonus calculated at a rate of 5% of the base price per tonne of coal in excess of 90% of the contract quantity, provided that such bonus would be payable only where such supply is made at the request of LAPPL.

SECL is entitled to terminate the agreement upon purchase of coal by LAPPL from any third party or upon failure by LAPPL to accept minimum standard tonnes of coal quantity under the agreement. Lanco Amarkantak is required to furnish a bank guarantee towards a commitment advance in relation to the amount of coal proposed to be sourced from SECL.

Contract for Design and Construction of Non-EPC Works

LAPPL entered into an agreement with LITL dated April 27, 2005 for non EPC works in connection with design and construction of the Lanco Amarkantak Power Plant on a fixed price basis. Under the agreement, LITL is required to achieve provisional acceptance of the works within the stipulated time period or such other period as may be extended by the parties, failing which LITL is liable to pay liquidated damages subject to a maximum of 5% of the contract price. LITL was required to provide an on–demand advance payment guarantee as security for certain advance payments required to be made by LAPPL to LITL and accordingly, LITL has executed an advance payment guarantee in favour of LAPPL for a maximum guaranteed amount of Rs. 200 million on July 15, 2005.

Agreement for civil and construction works

LAPPL has also entered into agreements for civil and construction works with Zelan Construction (India) Private Limited ("**ZCIPL**") on May 25, 2005 and on April 19, 2006 for Units I & II respectively of the Lanco Amarkantak Power Project. Under the said agreements, ZCIPL has agreed to perform or cause to perform all works in connection with the civil construction of the Power Project on a lump sum, fixed price basis. ZCIPL has also agreed to supply all materials, supplies and equipment required for the performance of the works. ZCIPL guaranteed that the provisional acceptance of the facility will be achieved on or before the scheduled facility completion date which is 33 months from the commencement date. If the provisional acceptance is not completed, ZCIPL is required to pay certain liquidated damages after 30 days from the scheduled completion date. The liquidated damages are capped to limit ZCIPL's liability under the agreements. No extension of time would be granted except in case of *force majeure* or due to any default or omission of LAPPL. It is provided that LAPPL may for its convenience terminate any part of the works upon giving 30 days prior written notice specifying the part of work to be terminated and the effective date of termination. LAPPL may also elect to suspend completion of all or part of the works upon at least 10 days prior written notice indication the portion work it wishes to suspend, duration of such suspension and the effective date of such suspension. It is provided that if LAPPL fails to pay under the agreement and if such failure continues for 30 days after written notice, then ZCIPL shall give 10 days notice and thereafter stop all works until it receives the payment plus reasonable suspension and resumption charges. The agreement may also be terminated upon failure to remedy any material breach committed by ZCIPL within 30 days of notice of such breach.

ZCIPL has subcontracted the construction services under the above agreements to LITL vide subcontract agreements for civil works and construction dated July 11, 2005 and July 21, 2005 for a fixed price on the same terms and conditions as are provided in the above stated agreements for civil and construction works. In the event that LITL fails to perform its functions in accordance with the terms and conditions of the above agreements resulting in liabilities arising on ZCIPL, LITL would either directly bear or be liable to bear such liabilities and keep ZCIPL fully indemnified. Further, LITL was required to provide an on-demand advance payment guarantee as security for certain advance payments required to be made by ZCIPL to LITL. Accordingly, LITL has on August 18, 2005 executed an advance payment guarantees in favour of ZCIPL for a maximum guaranteed amount.

LITL has approached Star Plus Engineering Services Limited ("**SPEL**") to provide the necessary technical, legal and commercial support and services as may be required by LITL to finalize and enter into the subcontract with ZCIPL so as to enable LITL to successfully execute the subcontract. It has entered into an agreement for civil & construction services and construction management services dated May 4, 2005 with SPEL for this purpose on a lump sum basis.

Agreement for engineering, transportation, erection, testing and commissioning services

LAPPL has also entered into agreements for engineering, transportation, erection, testing and commissioning services with Zelan Projects Private Limed ("**ZPPL**") on May 25, 2005 and on April 19, 2006 for Units I & II respectively of the Lanco Amarkantak Power Project. Under the said agreements, ZPPL is required to perform all services in relation to design, engineering, transportation, commissioning, start-up, demonstration and testing of the Power Project on a lump sum, fixed price basis. ZPPL is responsible for the provisional and final acceptance of the Power Plant and is required to perform the requisite tests as stated in the agreements. ZPPL has guaranteed that the provisional acceptance will be achieved within 33 months from the commencement date and upon failure to achieve provisional acceptance within the specified time, ZPPL is required to pay certain damages for each day after the 30th day. ZPPL is further required to pay damages to the Owner for failing to achieve performance guarantee, electrical output guarantee, heat rate guarantee and auxiliary power guarantee. Final acceptance shall be achieved only when the final acceptance and performance guarantees have been achieved, all pending punch list items have been completed and the Contractor has performed all services under the agreement, the warranty period has expired and upon delivery of the final acceptance certificate. It is provided that in no event shall ZPPL's liability exceed 15% of the contract price for all performance guarantee liquidated damages, 10% for electrical output guarantee, 10% for heat rate guarantee, 10% for auxiliary power guarantee and 20% for the late delivery. It is further provided that the aggregate liability of ZPPL shall not exceed the contract price. Further, it is provided that LAPPL may at its convenience terminate any part of the works upon giving 35 days prior written notice specifying the part of work to be terminated and the effective date of termination. LAPPL may also elect to suspend completion of all or part of the works upon at least 10 days prior written notice indication the portion work it wishes to suspend, duration of such suspension and the effective date of such suspension. It is provided that if LAPPL fails to pay under the agreement and if such failure continues for 30 days after written notice, then ZPPL shall give 60 days notice and thereafter stop all works until it receives the payment plus reasonable suspension and resumption charges. The agreement may also be terminated upon failure to remedy any material breach committed by ZPPL within 30 days of notice of such breach.

The obligations of ZPPL under the above agreements have also been subcontracted to LITL vide subcontract agreement for engineering, transportation, erection, testing and commissioning services on the same terms and conditions as provided in the above agreement for Unit I of the Lanco Amarkantak Power Plant. In the event that LITL fails to perform its functions in accordance with the terms and conditions of the above agreement resulting in liabilities arising on ZPPL, LITL would either directly bear or be liable to such liabilities and keep ZPPL fully indemnified. Further, LITL was required to provide an on-demand advance payment guarantee as security for certain advance payments required to be made by ZPPL to LITL. Accordingly, LITL has on July 30, 2005 executed an advance payment guarantee in favour of ZPPL for a maximum guaranteed amount.

LITL has approached SPEL, a Hong Kong based company to provide the necessary technical, legal and commercial support and services as may be required by LITL to finalize and enter into the subcontract with ZPPL so as to enable LITL to successfully execute the subcontract. It has entered into an agreement for engineering, transportation, erection, testing and commissioning dated May 4, 2005 with SPEL for this purpose on a lump sum basis.

Agreement for supply (Ex-works Indian factory)

LAPPL also entered into agreements for supply (Ex-works Indian factory) with ZPPL on May 25, 2005 and on April 19, 2006 for Units I & II respectively of the Lanco Amarkantak Power Project. Under the said agreements, ZPPL has agreed to supply all equipment materials, spare parts, special tools etc on a fixed price ex-works basis. ZPPL is responsible for the provisional and final acceptance of the Power Plant and is required to perform the requisite tests as stated in the agreements. ZPPL has guaranteed that the provisional acceptance will be achieved within 33 months from the commencement date and upon failure to achieve provisional acceptance within the specified time, ZPPL is required to pay certain damages for each day after the 30th day. Also, certain liquidated damages need to be paid by ZPPL for failure to obtain performance guarantees. It is provided that LAPPL may for its convenience terminate any part of the works upon giving 30 days prior written notice specifying the part of work to be terminated and the effective date of termination. LAPPL may also elect to suspend completion of all or part of the works upon at least 10 days prior written notice indication the portion work it wishes to suspend, duration of such suspension and the effective date of such suspension. It is provided that if LAPPL fails to pay under the agreement and if such failure continues for 30 days after written notice, then ZPPL shall give 60 days notice and thereafter stop all works until it receives the payment plus reasonable suspension and resumption charges. The agreement may also be terminated upon failure to remedy any material breach committed by ZPPL within 30 days of notice of such breach.

ZPPL has subcontracted certain supply services to LITL vide subcontract agreement for supply (ex-works) dated May 30, 2005 on the same terms and conditions as are provided in the above agreement for Unit I of the Lanco Amarkantak Power Plant. In the event that LITL fails to perform its functions in accordance with the terms and conditions specified in the above agreement resulting in liabilities arising on ZPPL, LITL would either directly bear or be liable to such liabilities and would keep ZPPL fully indemnified. Further, LITL was required to provide an on-demand advance payment guarantee as security for certain advance payments required to be made by ZPPL to LITL. Accordingly, LITL has on June 20, 2005 executed an advance payment guarantee in favour of ZPPL for a maximum guaranteed amount.

Agreement for supply (CIF)

LAPPL also entered into agreements for supply (C.I.F.) with ZPPL on May 25, 2005 and on April 19, 2006 for Units I & II respectively of the Lanco Amarkantak Power Project. Under the said agreements, ZPPL has agreed to supply all equipment, materials, spare parts etc on a fixed price (C.I.F) basis. ZPPL is responsible for the provisional and final acceptance of the Power Plant and is required to perform the requisite tests as stated in the agreements. ZPPL has guaranteed that the provisional acceptance will be achieved within 33 months from the commencement date and upon failure to achieve provisional acceptance within the specified time, ZPPL is required to pay certain damages for each day after the 30th day. Also, certain liquidated damages need to be paid by ZPPL for failure to obtain performance guarantees. It is provided that LAPPL may for its convenience terminate any part of the works upon giving 40 days prior written notice specifying the part of work to be terminated and the effective date of termination. LAPPL may also elect to suspend completion of all or part of the works upon at least 15 days prior written notice indicating the portion work it wishes to suspend, duration of such suspension and the effective date of such suspension. It is provided that if LAPPL fails to pay under the agreement and if such failure continues for 25 days after written notice, then ZPPL shall give 60 days notice and thereafter stop all works until it receives the payment plus reasonable suspension and resumption charges. The agreement may also be terminated upon failure to remedy any material breach committed by ZPPL within 30 days of notice of such breach.

Agreement for onshore supply

LITL has approached SPEL to provide the necessary technical, legal and commercial support and services as may be required by LITL to finalize and enter into the subcontract with ZPPL so as to enable LITL to successfully execute the subcontract on a lump sum basis.

Teesta VI Power Project

Agreement with the Government of Sikkim in relation to the Teesta VI Hydro Electric Project in South Sikkim

The Government of Sikkim had issued a letter of intent vide No. 34/GOS/E&P/04-05/582 dated April 8, 2005 to LEPL for the development of 360 MW Teesta stage VI Hydro Electric Project on a BOOT basis. Accordingly, LEPL entered into an agreement dated December 7, 2005 with the Government of Sikkim for a period of 35 years. LEPL has through its letter dated December 2, 2005 to the Government of Sikkim informed the latter that it would enhance the capacity of the Teesta VI Power Project to 500 MW on account of gain of additional head. As per the terms of the agreement, LEPL agreed to supply 12% of the power generated free of cost to the Government of Sikkim for the first 15 years from the COD or pay an equivalent amount thereof, at the discretion of the Sikkim Government. From the 16th year to the 35th year, LEPL agreed to supply to the Government of Sikkim 15% of the power generated free of cost or money equivalent thereof.

In the event of non-extension of the agreement beyond the 35th year, the permanent works along with the land on which the permanent works are created, irrespective of the land ownership, would stand transferred to the Government of Sikkim.

The Government of Sikkim agreed to provide Government land on a long term lease of 35 years as may be required for permanent works and on short term lease of 15 years for temporary works. LEPL in turn was required to prepare and implement a rehabilitation and re-settlement plan.

The agreement provides LEPL with the option to dispose off the power from the Lanco Energy Power Project at its sole discretion, after allowing for Government supply, upon making an application thereof to the Government of Sikkim. It may dispose such power in any of the following modes:

a. it may make captive use for the industry to be set up in Sikkim;

b. it may sell power outside Sikkim; or

c. it may make third party sale within Sikkim with the permission of the Government of Sikkim.

The agreement provides that any incentives given by the Government of Sikkim in future to the independent power producers will also extend to the Lanco Energy Power Project. Further, it was agreed that the Government of Sikkim would not impose a tax/duty of any nature besides the environmental cess which shall be at the rate of one paisa per unit of electricity generated by LEPL and which would be collected at source.

The commercial operation of the Lanco Energy Power Project would have to be achieved within a period of 72 months from the date of the agreement and LEPL would have to start the construction of the Lanco Energy Power Plant within six months from the date of financial closure. In case LEPL is unable to commission the Lanco Energy Power Project within the given time period, it would be liable to pay a penalty of Rs. 10,000 per MW per month to the Government of Sikkim for the delay.

LEPL is required to allocate 26% of its equity share to the Government of Sikkim by way of an equity subscription agreement which is required to be executed within six months from the date of signing this agreement. The balance 74% would be subscribed by the shareholders of LEPL. However, no such agreement has been executed as of date.

The agreement may be terminated on any if the following grounds:

a) if LEPL fails to achieve financial closure or if the construction has not commenced before the expiry of 6 months from the date of achieving financial closure; or

b) if LEPL stops construction for more than 12 months for reasons attributable to it or abandons the Lanco Energy Power Project, the agreement may be terminated by the Government of Sikkim, after giving due opportunity to LEPL to rectify the breach. In such an event, the Government of Sikkim would have the option to take over the Lanco Energy Power Project after assuming all the debt servicing obligations of LEPL as on the date of termination.

After the expiry of the term of the agreement , the Lanco Energy Power Project along with all assets and works would be transferred to the Government of Sikkim for no consideration.

LEPL is allowed to promote/ incorporate a new/existing company as SPV for the implementation of the Lanco Energy Power Project. In such an event, all rights and obligations under this agreement would be transferred to the new company with the prior approval of the Government of Sikkim. LEPL may further assign or transfer all or a portion of its rights and benefits under this agreement, but not its obligations, to any other person or entity for the purpose of arranging finance for the Lanco Energy Power Project.

Power Purchase Agreement

LEPL entered into a PPA with the Maharashtra State Electricity Distribution Company Limited (MSEDCL) on August 29, 2006. MSEDCL has been established to purchase power from independent power producers, captive power plants and such other generating companies including SEBs, statutory bodies and registered licensees. LEPL is implementing the Teesta VI Power Project has agreed to design, construct, complete, test, commission and maintain the project as per this PPA. MSEDCL has agreed to purchase saleable power from the power plant for a period of 35 years from COD for onward supply of such power in the State of Maharashtra. The PPA is subject to the approval of the Maharashtra Electricity Regulatory Commission.

LEPL undertook to sell the saleable energy i.e., the total energy generated including the infirm power available for sale after allowing for auxiliary consumption, transformation losses and royalty, at the agreed tariff and MSEDCL undertook to pay tariff for the billable energy i.e., metered electrical energy delivered by LEPL including deemed generation of power as per the PPA. In the event MSEDCL fails to offtake the contracted energy from LEPL for any reason other than transmission utility breakdown/ outages, it was agreed that LEPL would be free to sell such energy between its declared offtake and 95.0% of declared offtake to a third party at a mutually agreed tariff rate. The PPA further stipulates that MSEDCL shall not take any deemed generation obligations for such sale. In the event MSEDCL fails to off take less than 95% of the contracted energy or fails to offtake electrical output post-COD of the relevant unit, it may request LEPL to continue generating electrical energy and sell the output to any third party at a tariff rate mutually agreed between LEPL and such third party. If such third party-tariff is lower than the annual fixed tariff for the relevant tariff year, then MSEDCL is required to pay the difference. In the event that such third party-tariff is higher than the annual fixed tariff, MSEDCL and LEPL shall equally share the net amount. Further, if MSEDCL fails to off take less than 95% of the contracted energy, it would be liable to pay the deemed generation charges.

Except as provided in the PPA, LEPL is prohibited from granting or selling the contracted energy to any third party without the prior written consent of MSEDCL.

LEPL is responsible, at its own expense, for ensuring that the project is operated and maintained in accordance with the Indian Electricity Grid Code, in terms of all the consents and prudent utility practices so as to meet all LEPL's obligations under the PPA. LEPL may enter into an O&M contract with an external operator for the operation and maintenance of the project or perform such operation itself. The appointment of such an operator or other contractors would not release LEPL of any of its responsibilities under the PPA.

LEPL is responsible for the design, construction, commissioning, operation and maintenance of the interconnection facilities and the transmission lines up to the interconnection point. MSEDCL shall enter into a bulk power transmission agreement with the Central Transmission Utility in accordance with the CERC interstate transmission regulations for wheeling of energy output and LEPL may be required to be party to the said agreement. Further, for facilitating evacuation of the energy output, MSEDCL is required to enter into a connection agreement with the CTU and LEPL may be a party to the said agreement.

In the event that energy output is not evacuated due to breakdown of the grid and/ or non-availability of open access due to any reason except force majeure, MSEDCL is not required to make any tariff payments to LEPL for the period of such grid breakdown/ disruption if such period lasts for not more than 175 hours on a cumulative basis in any tariff year. However, in the event of non-availability of open access, or if the period of grid breakdown/ disruption exceeds 175 hours, MSEDCL is required to make tariff payments for deemed generation in accordance with the PPA.

MSEDCL is required to pay LEPL monthly tariff payment for each tariff year from the COD. Towards the same, LEPL is required to issue a signed monthly bill on or before the fifth day of each month for the billable energy for the immediately preceding month and MSEDCL would have to satisfy the said bill within 30 days from the date of receiving the aforesaid monthly bill. In the event of any delay in payment by MSEDCL beyond the due date, a payment surcharge shall be payable by MSEDCL at the rate of 1.25% per month as per the CERC tariff regulations.

The PPA may terminate early if either LEPL or MSEDCL exercise their right to terminate under the PPA or if they do not come to an understanding on the applicable tariff rate for the period between the 26th year to the 35th year, before the completion of the 25th year. The PPA may also terminate upon mutual agreement.

In the event of termination of the PPA by LEPL prior to COD, all the obligations and responsibilities of MSEDCL under bulk power transmission agreement with CTU as well as the connection agreement shall stand transferred to and novated in favour of LEPL and LEPL shall indemnify MSEDCL of all losses incurred by it in that regard. In the event of termination by MSEDCL prior to COD, LEPL shall be entitled to sale of energy generated by it to any third party and shall be entitled to use the open access under the bulk power transmission agreement with CTU as well as the connection agreement without any further cost to LEPL. Further, LEPL would not be liable in any manner whatsoever to MSEDCL. In the event of termination after COD, by either MSEDCL or LEPL, the terminating party shall give notice of such termination along with a valid letter of credit of Rs. 5,000 Million with a validity period of 90 days in favour of the other party. Such letter of credit need not be given if the termination is due to a default by MSEDCL. Following the notice, a consultation period of 60 days shall apply during which period the parties are bound to perform their obligations under the agreement. The parties may terminate the agreement within 30 days following the consultation period.

Payment Security Mechanism

MSEDCL shall secure payment of monthly bills in the form of a monthly revolving and irrevocable letter of credit, which shall be renewed not later than 30 days before its expiry. Further, as an additional security, MSEDCL is required to open an escrow account on or before 30 days before the COD of the first unit.

Civil Works

LEPL entered into a civil contract with the Company dated December 30, 2005 for carrying out of the enabling infrastructure for the Lanco Energy Power Project at a fixed, lump-sum payment of Rs. 500 million for its services. If the Company is unable to complete the project on time, it is liable to pay liquidated damages for such delay subject to a maximum of 10% of the contract value.

In addition to the above, the Company has undertaken to construct the main telephone exchange building at Juhu Danda, BSNL Complex, Santacruz (W), Mumbai by an agreement dated April 21, 2004 with MTNL. The Company has separately entered into an agreement for supply of unskilled and semi-skilled labour with S.V. Contractors.

Lanco Green Power Project

Power Purchase Agreement

Lanco Green entered into a PPA on March 30, 2005 to sell the entire electricity generated by the Lanco Green Power Project to PTC for a period of 35 years from the commencement of commercial operations of the Lanco Green Power Project. The parties may mutually extend the said term upon notification by either of the parties.

As per the PPA, the initial promoters have to retain ownership of at least 51% of the Lanco Green's shares for a period of 15 years from the COD.

Lanco Green is restricted from granting or selling to any third party or allowing any third party to obtain any entitlement to the billable power and the billable energy generated by the Lanco Green Power Project without the prior written consent of PTC. For facilitating evacuation of the billable power, Lanco Green was required to enter into a connection agreement with Power Grid Corporation of India Limited.

Payment Security Mechanism

Payments due from PTC under the PPA are secured by a credit support mechanism comprising a monthly revolving and irrevocable letter of credit maintained by PTC on a quarterly basis through-out the term of the PPA.

Implementation Agreement dated November 22, 2005, between the GOHP and Lanco Green

The implementation agreement states that pursuant to the GOHP and Lanco Green entering into an MOU dated September 23, 2004 to carry out investigations for establishment of the Lanco Green Power Project, Lanco Green carried out such investigations and submitted a detailed project report of the Lanco Green Power Project to the GOHP. Both the GOHP and Lanco Green were satisfied with the feasibility of the Lanco Green Power Project and accordingly techno economic clearance was granted by the GOHP.

As per the implementation agreement, the GOHP granted permission to Lanco Green to establish, own, operate and maintain the Lanco Green Power Project for a period of 40 years from the COD, unless terminated earlier. The approval was granted subject to the condition that on completion of 40 years the Lanco Green Power Project will revert to the GOHP free of cost and GOHP will operate and maintain the Lanco Green Power Project in entirety thereafter.

The GOHP agreed to provide the necessary clearances and assistance for expediting such implementation and permitted Lanco Green to collect and use boulders, stones, shingles and limestone in accordance with the Government rules prevalent in the state, from the land acquired for or transferred to or leased out to Lanco Green for the purpose of implementation of the Lanco Green Power Project.

The GOHP has the right to terminate this implementation agreement in the event Lanco Green does not comply with the time lines for commencement and completion of construction and execution of the Lanco Green Power Project.

Lanco Green is required to provide the GOHP with 12% of the deliverable power free of cost as royalty from the date of synchronization of the first generating unit up to 12 years from the COD. For the remaining 28 years 18% of the deliverable power will be provided to GOHP free of cost as royalty.

Lanco Green may, assign, or otherwise transfer all or any portion of its rights and benefits with prior written permission of the GOHP, but not its obligations under the implementation agreement except for the purpose of arranging or rearranging finance for the Lanco Green Power Project.

Civil Construction Contracts

LGPPL entered into two separate civil contracts with the Company dated October 3, 2005 and December 26, 2005 for carrying out the civil works in relation to Unit I and Unit II of the Lanco Green Power Project at a fixed, lump-sum payment of Rs. 276 million and Rs. 1,700 million respectively. As per the aforementioned agreements, the construction is proposed to be completed by March 2008 for Unit I of the Lanco Green Power Project and by April 2008 for Unit II of the Lanco Green Power Project. If the Company is unable to complete the project on time, it is liable to pay liquidated damages to LGPPL for such delay subject to a maximum of 10% of the contract value(s).

Contract dated July 12, 2006 between LGPPL and Dongfang ("Contractor") for the procurement of generation units for the Lanco Green Power Project

The Contractor agreed to supply the main equipment including turbine, generator, control and monitoring system, protection system and specified spare parts etc required for the Lanco Green Power Project at a certain consideration as stipulated in the agreement. LGPPL is required to pay an advance amount equivalent to 10% of the total contract amount within 14 days after receipt of the invoice and an advance payment security for the same amount within 14 days after execution of the contract. Upon receipt of the advance payment, the contract will become effective and the performance of the contract shall start from that date. LGPPL is required to establish an irrevocable, acceptable and non-transferable letter of credit for the balance 90% within 30 days from making the advance payment. The letter of credit shall remain valid till the 27th month from the effective date of the contract. The payment for the balance 90% is required to be made as per the agreement. The Contractor guarantees that the equipment supplied shall attain functional guarantees as specified in the annexures to the contract. The Contractor warrants to deliver the first unit of the main equipment within 17 months from the effective date and the second unit within 19 months from the effective date. In the event of any delay in the shipment of the equipment, LGPPL would be entitled to liquidated damages amounting to 0.7% of the CIF price for each consignment, for each week of such delay with a cap of 10% of the CIF price of such consignment. In case of any deficiency in the output or efficiency of the equipment, certain performance penalties may be imposed on the Contractor. In any case, the aggregate of the performance penalties and the liquidated damages shall not exceed 15% of the total contract price.

Contract dated July 12, 2006 between LGPPL and Dongfang ("Contractor") for the supervision of installation, commissioning and field testing of equipment supplied to the Lanco Green Power Project

This agreement is an integral part of the equipment supply, supervision of erection, testing and commissioning agreement. As per the terms of this agreement, the Contractor has agreed to depute its personnel to supervise the installation, pre-commissioning, commissioning and testing of generation units and other equipment supplied by them and LGPPL has agreed to provide certain allowances on a monthly basis for these personnel.

Agreement dated July 17, 2006 for the transportation, insurance, storage at site, erection, commissioning and testing of E&M equipment between LGPPL and LITL for the Lanco Green Power Project

As per the terms of this agreement, LITL is responsible for the transit insurance, inland transportation and equipments required for the switch yard, storage of goods at site, any civil works required for the said scope of work and also for the erection, commissioning and testing of switch yard facilities for the Lanco Green Power Project at a certain contract price payable by LGPPL. LGPPL is required to pay 10% of the contract value as advance upon execution of the agreement. 85% of the contract value is required to be paid upon submission of monthly running bills by LITL and the balance 5% shall be paid upon completion of the defect liability period which is 12 months from COD. If any defect is found in the BOP works during the defect liability period, LITL shall attend to the same within two days and rectify the same immediately. All works mentioned under this agreement are required to be completed by January 31, 2008. In the event of any delay in completion, LGPPL may deduct a sum equivalent to 1% of the total contract value per week subject to a cap of 10%. LITL is permitted to subcontract the whole or part of the work under this agreement with the prior approval of LGPPL.

Agreement dated July 17, 2006 for the supply of BOP for E&M equipments between LGPL and LITL for the Lanco Green Power Project

As per the terms of this agreement, LITL is responsible for all the works provided under this agreement for a certain consideration. All the works under this agreement are required to be completed by December 2007. LGPPL is required to pay an advance of 10% of the contract value upon execution of this agreement. Another 10% is required to be paid upon furnishing the purchase orders/ contracts for supply of transformers etc. 75% of the contract amount is required to be paid against the invoices subject to satisfactory inspection of the goods prior to dispatch. The balance 5% is required to be paid upon completion of the defect liability period, which is 12 months from the date of commissioning of all kinds of defects or 18 months from the date of expiry, which ever is earlier. It is provided that in the event of any delay in commissioning the project by April 1, 2008, LGPPL is entitled to deduct a sum equivalent to 1% of the contract value per week subject to a cap of 10% of the total contract value. LITL is permitted to subcontract the whole or part of the work under this agreement with the prior approval of LGPPL.

Lanco Hydro Power Projects

Project development agreement dated May 29, 2006 for Phata-Byung project between the Governor of Uttaranchal and Lanco Hydro

The Phata-Byung project has been awarded to a consortium predominantly consisting of the Lanco Group and SMEC India Private Limited. Lanco Hydro entered into this agreement, pursuant to the letter of award no. 256/1/2006-04(8)-22/2006 dated February 22, 2006, for carrying out detailed investigations and confirmatory surveys so as to satisfy itself about the techno-economic viability of the Phata-Byung project before undertaking its implementation. The implementation agreement is yet to be signed.

The agreement is effective from the date of execution and would remain in force for a period of 33 months from that date unless terminated earlier. The term may be extended by mutual consent of the parties.

The Phata-Byung project premium comprises of a threshold premium and a premium above the threshold.

Lanco Hydro would have the option to dispose the power from the Phata-Byung Project, after allowing for the royalty energy, by any of the following mechanisms:

- sell power to the UPCL upon such terms as may be mutually negotiated;
- sell power to any high-tension consumer within the State of Uttaranchal;
- sell power to the local rural grids within the State of Uttaranchal, which are not connected to UPCL's main grid;
- sell power to rural power distribution entities; and/or
- sell power to any consumer outside the State of Uttaranchal.

It is provided that the sale of energy generated by the Project would be approved, as may be required, by the Uttaranchal Electricity Regulatory Commission ("**UERC**")

No royalty in the form of free power would be charged for the first 15 years from the COD in the following cases:

- sale of power to UPCL;
- sale to local rural grids within the State of Uttaranchal, which are not connected to the UPCL's main grid;
- sale to consumers in rural areas not served or inadequately served by the concerned existing distribution licensee; and
- sale of power outside the State of Uttaranchal.

In case of sale of power to any other consumer not mentioned above, royalty in the form of free power at the rate of 12% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using Power Transmission Corporation of Uttaranchal Limited ("**PTCUL"**) or UPCL's system), would be charged for the first 15 years from COD.

In either case, it is provided that a royalty of 18% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using PTCUL/ UPCL's system) would be charged beyond the 15th year following COD.

If on the submission of the detailed project report, Lanco Hydro establishes to the Government of Uttaranchal that the Phata-Byung Project is not techno-economically viable, it may surrender the Phata-Byung Project back to the Government and the agreement would be terminated. On such surrender, the premium above the threshold premium, the bank guarantee and the deposit amount, as aforementioned would be refunded to Lanco Hydro. However, no compensation would be paid to Lanco Hydro.

Project development agreement dated May 29, 2006 for the Gaurikund project between the Governor of Uttaranchal and Lanco Hydro

The Gaurikund project has been awarded to a consortium predominantly consisting of the Lanco Group and SMEC India Private Limited. Lanco Hydro has entered into this agreement pursuant to the letter of award no. 256/1/2006-04(8)-16/2006 dated February 22, 2006, for carrying out detailed investigations and confirmatory surveys so as to satisfy itself about the techno-economic viability of the Gaurikund project before undertaking its implementation. The implementation agreement is yet to be signed.

The agreement is effective from the date of execution and would remain in force for a period of 33 months from that date unless terminated earlier. The term may be extended by mutual consent of the parties.

The Gaurikund project premium comprises of a threshold premium and a premium above threshold.

Lanco Hydro would have the option to dispose the power from the Gaurikund Project, after allowing for the royalty energy, in any of the following modes:

- sell power to the UPCL upon such terms as may be mutually negotiated;
- sell power to any high tension within the State of Uttaranchal;
- sell power to the local rural grids within the State of Uttaranchal, which are not connected to the UPCL's main grid;
- sell power to rural power distribution entities; and/or
- sell power to any consumer outside the State of Uttaranchal.

It is provided that the sale of energy generated by the Gaurikund Project would be approved, as may be required, by the UERC.

No royalty in the form of free power would be charged for the first 15 years from the COD in the following cases:

- sale of power to UPCL;
- sale to local rural grids within the State of Uttaranchal, which are not connected to the UPCL's main grid;
- sale to consumers in rural areas not served or inadequately served by the concerned existing distribution licensee; and
- sale of power outside the State of Uttaranchal.

In case of sale of power to any other consumer not mentioned above, royalty in the form of free power at the rate of 12% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using PTCUL / UPCL's system), would be charged for the first 15 years after COD.

In either case, it is provided that a royalty of 18% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using PTCUL/ UPCL's system) would be charged beyond the 15th year following COD.

If on the submission of the detailed project report, Lanco Hydro establishes to the Government of Uttaranchal that the Gaurikund Project is not techno-economically viable, it may surrender the Gaurikund Project back to the Government and the agreement would be terminated. On such surrender, the premium above the threshold premium, the bank guarantee and the deposit amount, as aforementioned would be refunded to Lanco Hydro. However, no compensation would be paid to Lanco Hydro.

Project development agreement dated May 29, 2006 for the Rambara project between the Governor of Uttaranchal and Lanco Hydro

The Rambara project has been awarded to a consortium predominantly consisting of the Lanco Group and SMEC India Private Limited. Lanco Hydro entered into this agreement pursuant to the letter of award no. 252/1/2006-04(8)-21/2006 dated February 22, 2006, for carrying out detailed investigations and confirmatory surveys so as to satisfy itself about the techno-economic viability of the Rambara project before undertaking its implementation. The implementation agreement is yet to be signed.

The agreement is effective from the date of execution and would remain in force for a period of 33 months from that date unless terminated earlier. The term may be extended by mutual consent of the parties.

The Rambara project premium comprises of a threshold premium and a premium above the threshold.

Lanco Hydro would have the option to dispose the power from the Rambara Project, after allowing for the royalty energy, by any of the following mechanisms:

- sell power to the UPCL upon such terms as may be mutually negotiated;
- sell power to any high-tension consumer within the State of Uttaranchal;
- sell power to the local rural grids within the State of Uttaranchal, which are not connected to UPCL's main grid;
- sell power to rural power distribution entities; and/or
- sell power to any consumer outside the State of Uttaranchal.

It is provided that the sale of energy generated by the Project would be approved, as may be required, by the UERC.

No royalty in the form of free power would be charged for the first 15 years from the COD in the following cases:

- sale of power to UPCL;
- sale to local rural grids within the State of Uttaranchal, which are not connected to the UPCL's main grid;
- sale to consumers in rural areas not served or inadequately served by the concerned existing distribution licensee; and
- sale of power outside the State of Uttaranchal.

In case of sale of power to any other consumer not mentioned above, royalty in the form of free power at the rate of 12% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using PTCUL or UPCL's system), would be charged for the first 15 years after COD.

In either case, a royalty of 18% of net wheeled energy or deliverable energy (in case of direct supply to consumers without using PTCUL/ UPCL's system) would be charged beyond the 15th year following COD.

If on the submission of the detailed project report, Lanco Hydro establishes to the satisfaction of the Government of Uttaranchal that the Rambara Project is not techno-economically viable, it may surrender the Rambara Project back to the Government and the agreement would be terminated. On such surrender, the premium above the threshold premium, the bank guarantee and the deposit amount, as aforementioned would be refunded to Lanco Hydro. However, no compensation would be paid to Lanco Hydro.

Clarion Power Plant

Power Purchase Agreement

CPCL entered into a PPA dated September 29, 2003 with APTRANSCO for the sale of power generated by the Clarion Power Plant to APTRANSCO. As per the PPA, the power generated by the Clarion Power Plant was deliverable to APTRANSCO at the tariff rate, as applicable on the date of the COD, subject to the review of prices by the APERC. On completion of ten years from the COD, the tariff rate is to be reworked on the basis of return on equity, O&M expenses and variable costs. The tariff is inclusive of all taxes, duties and levies, including all future increases in taxes, duties and levies.

CPCL is required to ensure that the power factor of the energy delivered to APTRANSCO is maintained at or above the minimum power factor as per the extant tariff notification issued by the GoAP failing which CPCL would have to pay surcharge as per the extant tariff notification. Further, CPCL is also required to operate Clarion Power Plant at not less than 70% PLF on a monthly basis during the peak season i.e. between February and May of every year and further ensure that annual PLF shall be maintained at not less than 70% PLF.

This PPA is valid for twenty years from the COD. It may be renewed for such further period and on such terms as may be mutually agreed by the parties 90 days prior to the expiry of this PPA and subject to approval of APERC. Further, all incentives/ conditions envisaged in this PPA are subject to modification from time to time, as per the directions of APERC, GoAP and APTRANSCO.

In the event that CPCL commits any default, APTRANSCO would be entitled to seek specific performance of this PPA or to claim such damages as would be available under law, or both at its option, by giving 30 days notice to CPCL. If the default continues for 30 days or more, APTRANSCO would have a right to issue a preliminary notice for termination of this PPA and if the default is not cured within 30 days thereafter, it may terminate this PPA and claim damages.

Emission Reduction Agreement

Clarion entered into an emission reduction agreement dated April 12, 2006 with EDF in relation to the Clarion Power Plant, for which Clarion received an approval on June 13, 2005 from the GoI and which was registered with the CDMEB on August 6, 2005. EDF had applied for and opened a temporary holding account in CDM registry in its name and obtained an identification number on March 7, 2006.

EDF agreed to purchase from Clarion 41,000 CERs (the "**Contracted Volume**"). The parties have also agreed on treatment of additional volume with respect to the issuance of CERs as provided in the agreement. The parties have agreed that delivery of the Contracted Volume would be made out of the first 41,000 CERs issued by the Clarion Power Plant. Clarion is required to issue the request for distribution of CERs within five business days of the Contracted Volume declaration date or within five days of EDF being included in the CDMEB as a project participant, and is further required to provide EDF with a notice of delivery of the Contracted Volume on the date on which Clarion issues the request for distribution of CERs. The designated delivery date would be the date that is five business days following the aforesaid notice provided by Clarion.

EDF is required to pay Clarion the unit price (unit price is equal to 80% of the market price) for each CER delivered to EDF within the specified time period.

In the event of default by EDF, Clarion would be entitled to terminate the agreement and EDF would be required to pay Clarion liquidated damages of an amount equal to the difference between the unit price per CER set out in the agreement and the market price per CER at the termination date multiplied by the Contracted Volume not paid for, as long as the market price is lower than the unit price.

In the event of default by Clarion, EDF may terminate the agreement and Clarion would be required to deliver replacement CERs to EDF within one month of the designated delivery date or pay EDF by way of liquidated damages an amount equal to the difference between the market price per CER at the termination date and the unit price per CER at the agreement date multiplied by the contracted volume during the period the market rice per CER is higher than the unit price set forth in this agreement.

Vamshi Industrial Power Project

Implementation Agreements for Drinidhar Power Project dated June 8, 2005 and Upper Khauli Power Project dated November 22, 2005, between GOHP and VIPL

The implementation agreements state that pursuant to the GOHP and VIPL entering into MOUs dated July 31, 2002 and November 29, 2004 to carry out investigations for the establishment of the Drinidhar Power Project and the Upper Khauli Power Project. VIPL carried out such investigations and submitted detailed project reports to the GOHP.

As per the implementation agreement, the GOHP granted permission to VIPL to establish, own, operate and maintain the Drinidhar Power Project and the Upper Khauli Power Project for a period of 40 years from the COD with an option to grant an extension of 20 years after re-negotiations of terms and conditions. If the agreement is not extended, then on completion of 40 years the power projects will revert to the GOHP free of cost and it will operate and maintain the projects in their entirety.

VIPL is required to provide 10% of the deliverable energy free of cost to the GOHP and pay the GOHP a royalty in lieu of such free power at the rate of 10% of the deliverable energy. In the event the power generated from the projects is sold to the HPSEB, the GOHP agrees to waive payment of royalty for a period of 15 years from the COD. The GOHP may also terminate the implementation agreement in the event VIPL does not provide free power (as mentioned herein) or abandons the projects.

The prior approval of the GOHP is to be obtained by VIPL to incorporate an SPV for the implementation of the Drinidhar Project and to transfer all rights and obligations under this implementation agreement to the SPV. VIPL is required to hold a minimum of 51% of the share capital of the SPV for a period of two years after COD of the Drinidhar Project unless otherwise agreed by the GOHP.

VIPL has been prohibited from subletting / transferring its rights accrued under the implementation agreement, by way of transfer of equity or shares, take over, merger, change of management, power of attorney, transfer, sale, lease, mortgage or any other means, to any party at any stage before and after the commissioning of the Upper Khauli Power Project.

Construction contract

VIPL entered into a contract with the company, dated September 15, 2005 for carrying out certain civil works at a fixed, lump sum payment of Rs. 349.5 million for each of the projects. The said construction is expected to be completed by December 31, 2006 failing which the company is liable to pay VIPL liquidated damages for such delay subject to a maximum of 10% of the contract value. Further the company is required to obtain and maintain the insurance policies for personnel deployed for the projects, construction machinery and vehicles, except in respect of site storage and erection.

Agreements for supply of Electro Mechanical equipment

VIPL entered into agreements dated November 24, 2005 with Boving Fouress Limited ("**Contractor**") for supply of E&M equipment as specified in the annexure to the agreements at an agreed contract price for Drinidhar and Upper Khauli Power Projects. The Contractor is required to complete the entire scope of the agreement before January 30, 2007. Any deviation from the said schedule may lead to termination of the agreement and VIPL may award the agreement in whole or in part to any other contractor. Subsequent to the successful discharge of the obligations under the agreement, the title and ownership of the goods stand transferred to VIPL. The Contractor has submitted bank guarantees for an amount equivalent to 5% of the contract price and corporate guarantee, also for an amount equivalent to 5% of the contract price as securities under each of the supply agreements. The agreements provide for a defect liability period, either for a period of 18 months from the date of installation of the goods or for a period of 12 months from the date of operational acceptance, whichever is earlier.

Service contract agreements

VIPL entered into service contract agreements dated November 24, 2005 with Boving Fouress Limited ("**Contractor**"), which has agreed to provide the following services such as packing, insurance, transport, delivery at site, storage at site, assembly, erection, field testing at site, commissioning, load testing, trial run of E&M equipments for 72 hours, training to personnel and complete handing over the Power Projects in all respects as specified in the annexure to the agreements at an agreed contract price for Drinidhar and Upper Khauli Power Projects. The Contractor is required to complete the entire scope of the agreement before January 30, 2007. Any deviation from the said schedule may lead to termination of the agreement and VIPL may award the agreement in whole or in part to any other contractor. Subsequent to the successful discharge of the obligations under the agreement, the title and ownership of the goods stand transferred to VIPL. The Contractor has submitted bank guarantees for an amount equivalent to 5% of the contract price and corporate guarantee, also for an amount equivalent to 5% of the contract price as securities under each of the supply agreements. The agreements provide for a defect liability period, either for a period of 18 months from the date of installation of the goods or for a period of 12 months from the date of operational acceptance, whichever is earlier.

Vamshi Hydro Energies Private Limited

Implementation Agreements for Baner - III and IKU-II Projects dated November 22, 2005, between GOHP and VHEPL

The implementation agreements state that pursuant to the GOHP and VHEPL entering into an MOU dated November 29, 2004 to carry out investigations for the establishment of the Baner-III and IKU-II Power Projects, VHEPL carried out such investigations and submitted detailed project reports. Subsequently, techno-economic clearance was obtained for these projects by the GOHP.

As per the implementation agreements, the GOHP granted permission to VHEPL to establish, own, operate and maintain each of the projects for a period of 40 years from the COD, with an option to grant an extension of 20 years after re-negotiations of terms and conditions. The approval was granted subject to a condition that on completion of 40 years, and if the terms of the agreements were not extended, the projects will revert to the GOHP free of cost and GOHP will operate and maintain the projects in their entirety thereafter. The GOHP agreed to provide the necessary clearances and assistance for expediting the implementation of these projects.

VHEPL is required to provide 10% of the deliverable energy free of cost to the GOHP or pay the GOHP a royalty in lieu of such free power at 10% of the deliverable energy. In the event the power generated from the projects is sold to the HPSEB, the GOHP agrees to waive payment of royalty for a period of 15 years from the COD. The GOHP may also terminate the implementation agreement in the event VHEPL does not provide the requisite free power or abandons the projects.

VHEPL has been prohibited from subletting / transferring its rights accrued under the implementation agreements by way of transfer of equity or shares, take over, merger, change of management, power of attorney, transfer, sale, lease, mortgage or any other means to any party at any stage before and after the commissioning of the Projects.

The GOHP has the right to terminate the implementation agreements and forfeit the security deposit upon the occurrence of certain events, including : (i) VHEPL informing the GOHP that the construction of the projects cannot be carried out as per the scheduled time lines for reasons other than those that can be solely attributable to the GOHP; (ii) due to continuous stoppage of construction of the projects for more than three months except due to *force majeure*; or (iii) for reasons attributable to VHEPL.

Civil Construction Contract Works

VHEPL entered into contracts dated September 15, 2005 and December 2, 2005 with LITL for carrying out of the civil works at a fixed, lump-sum payments of Rs.180 million and Rs. 153.8 million, respectively amounting to an aggregate Rs. 333.8 million. The construction is expected to be completed in February 28, 2007 and June 28, 2007, respectively. If LITL is unable to complete the project on time, it is liable to pay liquidated damages for such delay, subject to a maximum of 10% of the contract value.

Agreements for supply of Electro Mechanical equipment

VHEPL entered into agreements dated November 24, 2005 with Boving Fouress Limited ("**Contracto**r") for supply of E&M equipment as specified in the annexure to the agreements at an agreed contract price for the Baner- III and IKU –II Power Projects. The Contractor is required to complete the entire scope of the agreement before January 30, 2007. Any deviation from the said schedule may lead to termination of the agreement and VHEPL may award the agreement in whole or in part to any other contractor. Subsequent to the successful discharge of the obligations under the agreement, the title and ownership of the goods stand transferred to VHEPL. The Contractor has submitted bank guarantees for an amount equivalent to 5% of the contract price and corporate guarantee, also for an amount equivalent to 5% of the contract price as securities under each of the supply agreements. The agreements provide for a defect liability period, either for a period of 18 months from the date of installation of the goods or for a period of 12 months from the date of operational acceptance, whichever is earlier.

Service contract agreements

VHEPL entered into service contract agreements dated November 24, 2005 with Boving Fouress Limited ("**Contractor**"), which has agreed to provide the following services such as packing, insurance, transport, delivery at site, storage at site, assembly, erection, field testing at site, commissioning, load testing, trial run of E&M equipments for 72 hours, training to personnel and complete handing over the Power Projects in all respects as specified in the annexure to the agreements at an agreed contract price for the Baner- III and IKU –II Power Projects. The Contractor is required to complete the entire scope of the agreement before January 30, 2007. Any deviation from the said schedule may lead to termination of the agreement and VHEPL may award the agreement in whole or in part to any other contractor. Subsequent to the successful discharge of the obligations under the agreement, the title and ownership of the goods stand transferred to VHEPL. The Contractor has submitted bank guarantees for an amount equivalent to 5% of the contract price and corporate guarantee, also for an amount equivalent to 5% of the contract price as securities under each of the supply agreements. The agreements provide for a defect liability period, either for a period of 18 months from the date of installation of the goods or for a period of 12 months from the date of operational acceptance, whichever is earlier.

Rithwik Power Plant

Power Purchase Agreement

RESL has entered into a PPA dated February 18, 2002 with APTRANSCO for the sale of power generated by the Rithwik Power Plant. As per the PPA, energy was to be delivered to APTRANSCO at the initial tariff rate of Rs. 2.25 paise per unit with an escalation at 5% per annum with 1994-95 as base year. The tariff rate was to be revised on April 1 of every year up to the year 2003-04 subject to the condition that the purchase price so arrived at did not exceed 90% of the prevailing tariff rates of APTRANSCO. After 2003-04, the purchase price by APTRANSCO was to be decided by the APERC. The purchase price is planned to be reworked on the completion of ten years from the date of commissioning of the Rithwik Power Plant on the basis of return on equity, O&M expenses and variable costs. The tariff is inclusive of all taxes, duties and levies. However, it was agreed that no wheeling charges or other charges would be levied by APTRANSCO on purchased energy.

RESL is required to ensure that the power factor of the energy delivered to APTRANSCO is maintained at or above the minimum power factor as per the tariff notification issued by the GoAP failing which RESL would have to pay surcharge as per the extant tariff notification.

This PPA is valid for twenty years from the COD and may be renewed for such further period and on such terms as may be mutually agreed by the parties 90 days prior to the expiry of this Agreement and subject to approval of APERC.

All incentives/conditions envisaged in the PPA are subject to modification from time to time as per the directions of APERC, the GoAP and APTRANSCO.

Emission Reduction Agreement

Rithwik entered into an emission reduction agreement dated April 12, 2006 with EDF Trading Limited ("**EDF**") in relation to the Rithwik Power Plant, for which Rithwik received an approval on June 13, 2005 from the GoI and which was registered with the CDMEB on March 2, 2006. EDF applied for and opened a temporary holding account in CDM registry in its name and obtained an identification number on March 7, 2006.

EDF agreed to purchase from Rithwik 60,000 CERs (the "**Contracted Volume**"). The parties have also agreed on treatment of additional volume with respect to the issuance of CERs as provided in the agreement. The parties have agreed that delivery of the Contracted Volume would be made out of the first 60,000 CERs issued by the Rithwik Power Plant. Rithwik is required to issue the request for distribution of CERs within five business days of the Contracted Volume declaration date or within five days of EDF being included in the CDMEB as a project participant, and is further required to provide EDF with a notice of delivery of the Contracted Volume on the date on which Rithwik issues the request for distribution of CERs. The designated delivery date would be the date that is five business days following the aforesaid notice provided by Rithwik.

EDF is required to pay Rithwik the unit price (unit price is equal to 80% of the market price) for each CER delivered to EDF within the specified time period.

In the event of default by EDF, Rithwik would be entitled to terminate the agreement and EDF would be required to pay Rithwik liquidated damages of an amount equal to the difference between the unit price per CER set out in the agreement and the market price per CER at the termination date multiplied by the Contracted Volume not paid for, as long as the market price is lower than the unit price.

In the event of default by Rithwik, EDF may terminate the agreement and Rithwik would be required to deliver replacement CERs to EDF within one month of the designated delivery date or pay EDF by way of liquidated damages an amount equal to the difference between the market price per CER at the termination date and the unit price per CER at the agreement date multiplied by the contracted volume during the period the market rice per CER is higher than the unit price set forth in this agreement.

The Chitradurga Power Plant

Power Purchase Agreement

LITL owns and operates the Chitradurga Power Plant at Chikkasiddavanahalli Village, Chitradurga District of Karnataka. The Government of Karnataka, by its orders dated May 13, 1999 and January 6, 2000, accorded its sanction for the installation of a wind energy based electric power generating station of 10 MW capacity in Chitradurga District of Karnataka of which a capacity of 3 MW was transferred to LITL. LITL entered into a PPA dated October 8, 2003 with the KPTCL to sell the electricity generated by the Chitradurga Power Plant. The PPA is for a term of 20 years from the COD and may be renewed for a further 10 years. Under the PPA, KPTCL is liable to pay tariff at the rate of Rs. 3.25 per KWH with escalation of 2% per annum for the first 10 years. From the eleventh year, the payment terms will be mutually agreed between the parties. In case KPTCL and LITL are not able to mutually agree on the same, LITL may sell power to third parties after a wheeling and banking agreement is entered into with KPTCL whereby such sale to the third parties by LITL will be made through the grid system of KPTCL. For such an arrangement, LITL will pay KPTCL the wheeling and banking rates as stipulated by the Karnataka Electricity Regulation Commission from time to time.

Payment Security Mechanism

KPTCL is required to pay the amounts due and payable within 15 days from the receipt of the tariff invoice. KPTCL is required to maintain a letter of credit for the benefit of LITL during the subsistence of the PPA which may be utilized by LITL in case of non-payment by KPTCL.

Lanco Electric Utility Limited

Power Purchase Agreement dated May 27, 2006, between the Energy and Power Department, Government of Sikkim, Gangtok ("Energy and Power Department") and Lanco Electric Utility Limited, New Delhi ("LEUL PPA")

Under the terms of this agreement, LEUL is required to identify buyers for the surplus power, obtain the consent of the Energy and Power Department for the purchase of surplus power, apply and obtain requisite approvals from competent authorities and ensure collection of daily scheduling under availability based tariff norms as per the Indian electricity grid code which forms the basis for the sale / purchase transactions between the Energy and Power Department and LEUL.

Energy and Power Department has agreed to sell 34,200,000 KWH to LEUL for a consideration of Rs. 170,922,000, (LDC for 40/ 50 MW with additional 10 MW off peak) over the agreement period.

The parties have agreed upon the contract price for a period starting from July 1, 2006 and ending on September 30, 2006.

The LEUL PPA is effective for a period commencing on July 1, 2006 and ending on September 30, 2006.

Agreement for sale of power between KPCL and LEUL dated June 16, 2006

KPCL has agreed to sell power (up to 100 MW) to LEUL from its thermal power station at Raichur from June 8, 2006 to July 31, 2006. This period was further extended to December 31, 2006 through a letter from KPCL (no: A1 Q5 D/2070) dated July 7, 2006 whereby it was indicated that the sale of power from August 1, 2006 to December 31, 2006 would be subject to the condition that in case of increase in requirement of power in the State of Karnataka due to any reason, such quantum of power would be reduced from the quantum agreed to be sold to LEUL.

KPCL proposes to sell this power at a rate provided in the agreement at the delivery point. LEUL has agreed to bear all short term open access charges, transmission charges, transmission losses, SLDC/ RLDC charges and any other costs beyond the delivery point. KPCL would raise weekly invoices and LEUL would make the payment within seven days from the date of receipt of such invoice.

As security for its payment, LEUL is required to provide an irrevocable, unconditional, transferable, confirmed, revolving letter of credit equivalent to 14 days of energy billing in favour of KPCL. The letter of credit would be valid for 30 days beyond the last date of flow of power. LEUL would be entitled to a 2% prompt payment rebate if it makes the payment within the due date. A surcharge of 15% per annum would be leviable on payments made after the 14^{th} day from the date of presentation of the invoice.

KPCL is required to schedule and dispatch the power as per the relevant CERC regulations. Any variation in demand/ supply over 20% would be treated as a default and the defaulting party is required to pay a compensation of 50 paise per Kwh. In case LEUL fails to make the payment within the due date or fails to provide the letter of credit, KPCL would have the right to terminate this agreement without issuing prior notice to LEUL.

Further, LEUL has also entered into the following arrangements for sale of power:

- TNEB has, through letter dated August 19, 2006 and subject to the terms thereof, agreed to sell 300 MW of midnight power (0000 hours to 0600 hours) for the months of October, November and December, 2006. Further through a separate letter dated August 19, 2006 and subject to the terms thereof,, TNEB has agreed to sell 200 MW of peak power (0700 hours to 2400 hours) for the months November and December, 2006;
- WBSEB has, though a letter dated July 11, 2006 and subject to the terms thereof, agreed to export 50 MW of off-peak power through LEUL to the ultimate buyer of such power;
- CESC has, through its letter dated August 17, 2006 and subject to the terms thereof, agreed to sell various outputs of power during various monthly periods at specific hours during the day, to LEUL.

The Orissa Power Project

Power Purchase Agreement

Lanco Group Limited is setting up the Orissa Power Project with an installed capacity of 1,320 MW (2 x 660 MW) in the State of Orissa and has agreed to own, operate and maintain the Orissa Power Project. The GoO through its resolution no: 7947 dated August 17, 2006 designated GRIDCO as its nominated agency.

The PPA is valid initially for a period of 25 years from the date of commercial operation of the last unit of the Orissa Power Project and could be extended on mutual terms. This PPA is subject to the approval of the OERC.

It is provided that GRIDCO shall at all times have the right to purchase up to 25% of the power sent out from the Orissa Power Project excluding the quantum of power in excess of 80% PLF and infirm power. The PPA further stipulates that GRIDCO is required to request such power six months prior to the commencement of each five-year block period. In addition, GRIDCO is also entitled to the entire power generated in excess of 80% PLF and the entire infirm power.

The tariff payable by GRIDCO shall comprise of the following:

- Capacity (fixed) charges: the capacity charges would be determined by the appropriate commission as per the terms and conditions of tariff issued from time to time and shall be related to target availability. Recovery of capacity charges below the target availability shall be on a pro rata basis. Further, it is to be calculated proportionately to the capacity requisitioned and allocated to GRIDCO.
- Energy (variable) charges: the energy charges would cover fuel cost and shall be worked out on the basis of ex-bus energy scheduled to be sent out from the generating station. It shall be worked out as per the methodology prescribed by the appropriate commission from time to time.
- Energy in excess of 80% PLF will be available at energy costs and incentives. Incentives would be payable as may be fixed by the appropriate commission from time to time.
- Infirm power would also be available at energy costs.

As per the PPA, GRIDCO may opt to take only a part of the 25% of the power allocated to it and notwithstanding the same, it has the right to require LGL to make available electricity in excess of 80% PLF. If GRIDCO decides not to avail a part of or all the allocated electricity, it would have to inform LGL by giving such notice six months prior to the commencement of the said block period.

The PPA provides that LGL shall raise a bill at the end of every month for energy supplied to GRIDCO and such bills shall be paid in full within 30 days of their presentation. A rebate of 2% would be allowed if payment is made within seven days of presentation and a rebate of 1% would be allowed if payment is made within 30 days of presentation. A surcharge of 1.25% shall be payable every month on unpaid bills. In the event of any dispute on payment, GRIDCO is require to make an upfront payment of 75% of the bill amount and furnish the particulars of the disputed item with reasons of dispute and the amount disputed to LGL and such dispute shall be resolved within 90 days.

Payment Security Mechanism

A standby irrevocable revolving letter of credit would be established with a scheduled bank at least one month prior to the commencement of the power supply. The letter of credit shall cover 105% of the one-month's estimated billing and this amount would be reviewed once in six months (in April and October of each financial year). The letter of credit shall be established for a minimum period of one year and GRIDCO shall ensure that it remains subsisting during the validity of this agreement.

REGULATIONS AND POLICIES

In carrying on our business as described in the section titled "Our Business" on page 67 of this Red Herring Prospectus, the Company, the Subsidiaries and LKPPL are regulated by the following legislation in India. Further, for the purposes of executing the work undertaken by the Company or the Subsidiaries and LKPPL, we are required to obtain licenses and approvals under the prevailing laws and regulations applicable in the relevant state and depending upon the type of project. For details of such approvals, please see the section titled "Government Licenses and Approvals" on page 259 of this Red Herring Prospectus.

The regulations set out below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

The Power Sector

The Electricity Act, 2003

The electricity sector is regulated both by the Central Government and the respective State Governments. The Central Government has the primary responsibility for developing the electricity sector in India through planning and policy formulation, monitoring the implementation of power projects and by enacting legislation for thermal and hydro power generation, transmission and distribution.

Prior to June 2003, electricity generation, supply and distribution were governed by different legislations consisting of the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. However, the Electricity Act was enacted with effect from June 10, 2003, which repealed and replaced these earlier enactments. The most significant reform initiative under the Electricity Act is the move towards a multi-buyer, multi-seller system as opposed to the earlier structure that permitted only a single buyer to purchase power from generators. In addition, the regulatory regime has become more flexible, has a multi-year approach and allows regulatory commissions greater freedom in determining tariffs without being constrained by rate-of-return regulations. Further, the penal provisions for dishonest use of electricity have been tightened and special courts have been envisaged for speedy dispensation of justice. The salient features of the Electricity Act are set out below:

- Electricity generation has been de-licensed and captive-generation has been allowed. Although, a license is not required to establish and operate a generating station, technical standards relating to connectivity with the grid are required to be complied with. Companies generating electricity may sell to any licensee and, if permission is obtained from the State Regulatory Commission, to consumers as well. Consumers can establish captive power plants for their own consumption. There is no requirement for surcharge to be paid on wheeling of power from the captive plant to the destination of the use by the consumer. However, approvals from the State Government and the Central Electricity Authority ("**CEA**") are required for hydro projects when the capital expenditure of the project exceeds the limits proposed by the Central Government;
- The Central and State Regulatory Commissions, which were constituted under ERC Act continue under the Electricity Act and the power to determine tariff is conferred on them. The regulatory commissions determine the tariff for generation, supply, transmission and wheeling of electricity, whether wholesale, bulk or retail;
- A license is required for transmission of electricity, whether at the inter-state or intra-state level. A central transmission utility ("**CTU**") and state transmission utilities ("**STU**"s) have been designated by the Central Government and the State Governments, respectively, who are deemed to be as transmission licensees. Their responsibilities include bearing responsibility for transmission of electricity, coordinating the transmission system, and providing open-access to any user and undertaking transmission through inter-State and intra-State transmission systems.

  The Electricity Act allows IPPs open access to transmission lines subject to the availability of adequate transmission capacity.
- Power trading, that is the purchase of electricity for resale, has been introduced under the Electricity Act and is a licensed activity. The Electricity Act envisages both wholesale supply (i.e. purchasing power from generators and selling to the distribution licensees) and retail supply (i.e. purchasing from generators or distribution licensees for sale to end consumers). In order to obtain a license for trading from the Electricity Regulatory Commission, prescribed capital adequacy norms and technical parameters must be fulfilled. The Electricity Regulatory Commission will also have the right to fix a ceiling on trading margins in intra-state trading.
- The Electricity Act has also introduced open access. Open access means the non-discriminatory provision for use of transmission lines or distribution systems or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation in accordance with the CERC (Open Access in Inter State Transmission) Regulations, 2004, as amended, and the respective SERC regulations for intra-state open access, as the case may be.
- Distribution is a licensed activity. A distribution licensee can undertake trading, distribution and supply through one license. Non exclusive licensing and provision for phased open access in distribution will restrict monopolies in the distribution business.

- The licensing requirement does not apply in cases where a person intends to generate and distribute electricity in rural areas as notified by the State Government. However, the supplier has to comply with the requirements specified by the CEA. Electricity Act mandates formulation of national policies governing rural electrification and local distribution and rural off-grid supply including those based on renewable and other non-conventional energy sources.
- The Electricity Act also provides for the formulation of the National Electricity Policy and the National Tariff Policy.
- Provision relating to restructuring of the SEBs.

Hydroelectric Projects

Under the Electricity Act, specific provisions have been made for hydroelectric projects. Where a generating company intends to set up a hydro project station that is estimated to involve a capital expenditure exceeding such sum as may be fixed by the Central Government, it is required to submit a scheme for the approval of the CEA. The CEA is required to look into whether the proposed river-works will prejudice the prospects for the best ultimate development of the river or its tributaries for power generation. Further factors such as drinking water, irrigation, navigation, flood-control or other public purposes are also required to be considered. The CEA is also required to consider whether the proposed scheme meets prescribed norms regarding dam design and safety.

The Road sector

The primary central legislation governing the roads sector is the National Highways Act 1956, as amended and the NHAI Act.

National Highways Act, 1956

Under the National Highways Act, the Central Government is vested with the power to declare a highway as a "national highway" and to acquire land for this purpose. The Central Government may by notification, declare its intention to acquire any land when it is satisfied that for a public purpose such land is required for the building, maintenance, management or operation of a national highway. The National Highways Act prescribes the procedure for such acquisitions. These procedures relate to the declaration of an intention to acquire, entering and inspecting such land, hearing of objections, declaration required to be made for the acquisition and the mode of taking possession.

The Central Government is responsible for the development and maintenance of national highways. However, it may direct that such functions may also be exercised by State Governments. Further, the Central Government has the power to enter into an agreement with any person for the development and maintenance of a part or whole of the highway. Such person would have the right to collect and retain fees at such rates as may be notified by the Central Government.

The National Highways (Collection of Fees by any Person for the use of Section of National Highways/ Permanent Bridge/ Temporary Bridge on National Highways) Rules, 1997, as amended provide that the Central Government may enter into agreements with persons for development and maintenance of the whole or part of a national highway/permanent bridge/ temporary bridge on a national highway. Such a person may invest his own funds for the development or maintenance and is allowed to collect and retain the fees at agreed rates from different categories of vehicles for an agreed period for the use of the facilities created.

The rates of fees and the period of collection are decided by the Central Government and the factors taken into account to decide such fees include the expenditure involved in building, maintenance, management and operation of the whole or part of such section; interest on the capital invested; reasonable return, the volume of traffic; and the period of such agreement.

Once the period of collection of fees by the person is completed, all rights pertaining to the section, permanent bridge or the temporary bridge on the national highway is deemed to have been taken over by the Central Government.

National Highway Authority of India

The NHAI Act provides for the constitution of an authority for the development, maintenance and management of national highways. Pursuant to the NHAI Act, the NHAI was set up in 1995. Under the NHAI Act, the Central Government carries out the development and maintenance of the national highway system through NHAI, an autonomous body. NHAI has the power to enter into and perform any contract necessary for the discharge of its functions under the NHAI Act.

In an effort to provide for additional financing of its projects, the NHAI has taken measures to attract private sector participation in development of projects. The NHAI Act prescribes a limit in relation to the value of the contracts that may be entered into by NHAI. However, such contracts can exceed the value so specified with the prior approval of the Central Government. The NHAI provides that the contracts for acquisition, sale or lease of immovable property cannot exceed a term of 30 days.

The Government aims to attract both foreign and domestic private investments in construction and maintenance of National Highways. Projects may be offered on a BOT basis to private agencies. The concession period can be up to a maximum of 30 years, after which the road is transferred back to the NHAI by the concessionaires.

The bidding for the projects takes place in two stages as per the process provided below:

- in the pre-qualification stage, NHAI selects certain bidders on the basis of technical and financial expertise, prior experience in implementing similar projects and previous track record; and
- in the second stage, NHAI invites commercial bids from the pre-qualified bidders on the basis of which the right to develop the project is awarded.

Private sector participation in the road sector is sought to be promoted through various initiatives including the following:

- the Government ensures that all preparatory work including land acquisition and utility removal is completed before awarding of the project;
- right of way is made available to the concessionaires free from all encumbrances;
- NHAI / Government may provide capital grant up to 40% of project cost to enhance viability on a case to case basis;
- 100% tax exemption for 10 years out of initial 15 years subject to payment of minimum alternative tax; and
- duty free import of specified modern high capacity equipment for highway construction.

Foreign Investment Regulations

The industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment.

The procedure for investment in the electricity sector has been simplified for facilitating foreign direct investment. Investment in companies in the power sector (including generation, transmission, distribution and trading) except atomic energy falls under the RBI automatic approval route for FDI (including investment by NRIs) up to 100%.

Under the Industrial Policy and FEMA, FDI up to 100% is permitted in construction and related engineering services. Further, the Industrial Policy now also permits foreign direct investment under the automatic route in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular bridges and ports and harbours.

FDI up to 100% is permitted under the automatic route in townships, housing, built-up infrastructure and construction development projects subject to certain conditions contained in Press Note No. 2 (2005 series). A short summary of the conditions is as follows:

- Minimum area to be developed is 10 hectares in case of serviced housing plots and 50,000 square metres in case of construction development projects. Where the development is a combination project, the minimum area can be either 10 hectares or 50,000 square metres.
- Minimum capitalization of US$10 million for wholly owned subsidiary and US$5 million for a joint venture has been specified and it is required to be brought in within six months of commencement of business of the company.
- Further, the original investment is not permitted to be repatriated before three years from completion of minimum capitalization except with prior approval of the FIPB.
- At least 50% of the project is required to be developed within five years of obtaining all statutory clearances and the responsibility for obtaining it is cast on the foreign investor. Further, the sale of undeveloped plots is prohibited.
- Compliance with rules, regulations and bye-laws of State Government, municipal and local body has been mandated and the investor is given the responsibility for obtaining all necessary approvals.

In respect of investing companies in the infrastructure/service sector, foreign direct investment in such investing company should not exceed 49% and the management of the investing company should remain with the Indian owners. Further, the automatic route, i.e. without the prior approval of the FIPB and/or the RBI, is not available. For companies in infrastructure/ service sector, where there is a prescribed cap for foreign investment, only the direct investment is considered for the prescribed cap and foreign investment in an investing company may not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49% and the management of the investing company is with the Indian owners.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by non-residents to residents and residents to non-residents, subject to the terms and conditions, including pricing guidelines, specified in such circular. The Company will be required to make certain filings with the RBI after the completion of the Issue.

Investment by Foreign Institutional Investors

Subject to certain restrictions, Foreign Institutional Investors ("**FIIs**") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of a company. However, the limit of 24% can be raised up to the permitted sectoral cap for such company after obtaining approval of the board of directors and shareholders of the company. The total holding of a single FII should not exceed 10% of the post-issue paid-up capital of the Company or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Fiscal Regulations

Section 80-IA of the Income Tax Act, 1961 provides that while computing the total income of an undertaking set up for generation of power, 100% deduction of the profit and gains is allowed. This deduction is allowed during any 10 consecutive years in a block of first 15 years from the start of operations of the infrastructure facility.

This is applicable when the particular undertaking is not formed by splitting up or reconstruction of a business already in existence and is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

Under the Foreign Trade (Development and Regulation) Act, 1992, as amended, the Central Government is empowered to periodically formulate the Export Import Policy (EXIM Policy) and amend it thereafter whenever it deems fit. All exports and imports would have to be in compliance to such EXIM Policy.

Price Mechanism

The Electricity Act provides protection for projects selected through competitive bidding and requires the ERCs to adopt tariffs as determined through the bidding process. Any risk that the ERCs will not adhere to commissions to adopted tariffs in terms of signed PPA's would then be applicable to projects which have adopted the Memorandum of Understanding (MOU) route.

Modes of Participation in Power Projects

GoI announced major policy reforms in October 1991 widening the scope of private sector participation in power generation. A particularly, significant aspect of the policy was the notification on two-part tariff guidelines which set out principles of tariff competition from private power sector companies. The two modes of participating in power projects are either through the MOU route or the bidding route. The initial batch of private sector power projects were awarded generally on the basis of negotiation between the SEB and a single developer ("**MOU route**").

MOU Route

The cost determination under the MOU route usually involves:

- determination of receivables of capital cost. The capital costs are required to be approved by the CEA;
- approval of interest rates and local and foreign debt;
- finalizing the term of loans and/or other debt;
- finalizing the extent of foreign exchange protection;
- fixing operating parameters within the prescribed ceilings;
- identifying deemed generation provisions;
- evaluating the extent of despatchability;
- evaluating the level of incentive payments;
- identifying change in law in terms of tax or any other matter;
- identifying the extent of working capital permissible;
- evaluating the premium on fuel prices for assured supply;

- identifying fuel supply and transportation risk and issues;
- evaluating escalations in operation and maintenance and insurance expenses permissible;
- evaluating the extent of maintenance of spares permissible; and
- rebates in respect of prompt payment.

The MOU route with a cost plus approach was initially adapted to attract investment. However, there were several complexities in calculating the above costs despite the capital cost of the project being frozen by the CEA. This cost plus tariff mechanism is not ideally suited for competitive bidding as this would require bidding on every element of cost of generation which becomes difficult to verify and monitor over the life of the PPA. Further, the nature of costs for IPPs is very different from public sector power project costs and in the absence of complete knowledge of cost profile, it would be impossible to design a competitive bidding process based on cost plus approach that is fair to both sides thereby eliciting good investor response. Gradually, the Government adopted a tariff based bidding process. The concept of bidding is discussed below.

Bid Route

Bidding essentially is based on bulk power tariff structure. The tariff structure recommends bid evaluation on the basis of levelised tariff for fixed cost components, escalable and non-escalable costs and certain operational parameters such as heat rate, auxiliary consumption, etc. Under the bid route, the IPP sells its entire output to SEBs and does not trade directly. The revenue from operations of IPPs under the bid route is broken up into two streams:

- the fixed or capacity charge covering the payment received by the IPP for the generating capacity available to the SEB (irrespective of actual dispatch by SEB). This fixed or capacity charge also comprises components in respect of foreign exchange risk; and
- the variable or energy charge, which comprises the fuel cost for the electricity generated and purchased by the SEB at actuals. The fuel cost is calculated on the heat rate over the life of the power project and the cost of the fuel.

Environmental and Labour Legislation

In addition to the above, and depending upon the nature of the projects undertaken by the Company, the Company should comply with other applicable environmental and labour laws and regulations, which include the following and the details of which are provided in the section titled "Government Licenses and Approvals" on page 259 of this Red Herring Prospectus.

- Contract Labour (Regulation and Abolition) Act, 1970;
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- Industrial Disputes Act, 1947;
- Industrial Employment (Standing Orders) Act, 1946;
- Inter State Migrant Workers Act, 1979;
- Factories Act, 1948;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Shops and Commercial Establishments Acts, where applicable;
- Environment Protection Act, 1986;
- Relevant State Forest Conservation Acts;
- Water (Prevention and Control of Pollution) Act, 1974;
- Air (Prevention and Control of Pollution) Act, 1981;
- Hazardous Waste (Management and Handling) Rules, 1989; and
- Hazardous Chemicals Rules, 1989.

The Property Development Sector

The Urban Land (Ceiling and Regulation) Act, 1976, as amended, prescribes the maximum urban area that can be acquired by an entity. It has been repealed in some states and Union Territories under the Urban Land (Ceiling and Regulation) Repeal Act, 1999, as amended. In the State of Andhra Pradesh, the State Legislature has not passed any resolution under Article 252(2) of the Constitution of India and, therefore, the repealed legislation is not applicable to Andhra Pradesh. Accordingly, the Urban Land (Ceiling and Regulation) Act, 1976 continues to apply to the State of Andhra Pradesh.

Except as otherwise provided in the Urban Land (Ceiling and Regulation) Act, 1976, no person is entitled to hold any vacant land in excess of the applicable ceiling limit. This ceiling limit varies with the location of vacant land and the Urban Land (Ceiling and Regulation) Act, 1976 provides that every person holding vacant land in excess of the applicable ceiling limit shall, within such period as may be prescribed, file a statement before the competent authority specifying the location, extent, value and such other particulars of all vacant land and of any other land, whether or not with a dwelling unit therein, held by him. Upon receipt of this statement, the competent authority must acquire such excess vacant land while considering and adjudicating upon any claims of any interested persons in such land.

If the competent authority, in the course of such proceedings, is satisfied that any person has concealed any particulars of any other vacant land or has furnished inaccurate particulars of the vacant land, being compulsorily acquired, without prejudice to the penalty to which he may be liable under the Urban Land (Ceiling and Regulation) Act may require the person to pay a sum which shall not exceed twice the amount representing the value of vacant land or of such other vacant land being acquired or both as the case may be.

HISTORY AND CORPORATE STRUCTURE

The Company was originally incorporated on March 26, 1993 as "Lanco Constructions Limited" in Andhra Pradesh with its registered office at 1-8-50/G, 2nd Floor, Krishna Nagar Colony, Prenderghast Road, Secunderabad – 500 003 and received the certificate of commencement of business on March 31, 1993. With effect from June 2, 1994, the Company shifted its registered office to Ground Floor, Visaka Towers, 1-8-303/69/3, Sardar Patel Road, Secunderabad – 500 003. The Company further shifted its registered office, with effect from July 12, 1998, to Lanco House, 141, Avenue #8 Road #2, Banjara Hills, Hyderabad – 500 034. On November 24, 2000 the Company's name was changed to "Lanco Infratech Limited". Since the time of its incorporation until the completion of the re-organization, the Company was involved in the construction development sector including the execution of various civil contract works and also had minority stakes in the group entities that were involved in the power sector.

In May 2006, we commenced a reorganisation of our Company, in order to consolidate the power, construction and property development assets of the companies forming part of the Promoter Group and the Lanco Group into one holding company. For more details please refer to the section titled "Reorganisation" as appearing on page 65 of this Red Herring Prospectus.

LITL is a company with operations in the construction development sector. It is also the holding company for the Subsidiaries and intends to fund the capital requirements of the Lanco Group's initiatives in the power and property development sectors.

Main Objects of the Company

1. To construct, erect, execute, build, carry out, equip, alter, repair, remodel, decorate, maintain demolish, develop, improve, maintain, furnish, administer, manage or control, grade, curve, pave, macadamize, cement and maintain buildings, structures, houses, apartments, townships, multi-storeyed housing/commercial complexes, landscapes, hospitals, schools, places of worship, highway, roads, paths, streets, side ways, seaports, airports, bridges, gardens, flyovers, subways, alleys, pavements and to do other similar constructions, levelling or paving work and to build, construct and repair railways, waterways, electrical/mechanical, electronic works, tunnels, wharves, canals, reservoirs, embankments, tanks, aqueducts, ports, marine drainage, piers, docks, water works, drainage works, light houses, power houses, irrigation, reclamations, sewage drainage, sanitary, water, waste gas, electric lights, telephonic, telegraphic, television installations and power works, hotels, warehouses, markets, bazaars, places of amusements, pleasure grounds, parks, swimming pools, water sewage and effluent treatment plants, dairies, furnaces, saw mills, crushing works, hydraulic works, tanneries, factories, mills, industrial structures, floor and to do all kinds of excavating, dredging and digging work to make all kinds of iron steel, wood, glass, machinery, and earth construction, to design devise, decorate plan model and to furnish labour and all kinds of materials to supervise construction or other work, to act as valuers, appraisers, referees and assessors to investigate into the conditions of buildings and other structures of all kinds and to supply efficient and honest arbitrators amongst its personnel, to carry on the business of contractors and agents, farmers, carriers, printers and merchants anywhere in the world.

2. To search, prospect, win, work, get, raise, quarry, smelt, refine, dress, manufacture, manipulate, beneficiate, convert, make merchantable, sell, buy, import, export or otherwise deal in major and minor, ores, minerals like iron ore, coal, coke, manganese ore, limestone, dolomite, barytes, etc., all kinds of ferrous and non-ferrous metals, metallic ferrous ores and products of all kinds whatsoever including synthetic minerals and mineral compounds such as magnesium hydroxide, blue metal, granite etc., and other from various sources and various types/grades of processing including from sea water, salt bitterns, brines and also alternate fuel for use in manufacture of sponge iron, hot briquetted iron, pig iron, steel etc.

3. To acquire, purchase, lease, exchange, hire or otherwise, land and property of any tenure or any interest in the same and to act as real estators, developers of any land of property.

4. To enter into any arrangement, agreement, contract, sub-contract, lease, sub-lease with Central or any State Government, department and undertaking, municipality, local authority, corporation, cooperative society, company(s), firm, partnership, person or persons, individual or individuals in furtherance of any objects of the Company, to establish branches, depots, work spots, site offices for purposes of carrying out the objects of the Company, and to act as consulting engineers, contract engineers, civil engineers, architects, designers, decorators, founders, painters, engravers, masons and structural engineers.

5. To plan, promote, generate, acquire by purchase in bulk, develop, distribute and accumulate power by wind, solar, hydro, thermal, atomic, biomass, coal, lignite, gas, ocean energy, geothermal or any other by which energy, power for captive consumption by the Company and/or for consumption by others.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

S.No.	Date of Shareholder Approval	Particulars of Change
1.	January 11, 1999	Amendment to the main objects for removal of the words "agents" and "farmers"
2.	October 25, 1993	Increase in the authorized capital of the Company from Rs. 1,000,000 to Rs.20,000,000
3.	July 1, 1996	Increase in the authorized capital of the Company from Rs. 20,000,000 to Rs.60,000,000
4.	July 9, 1998	Increase in the authorized capital of the Company from Rs. 60,000,000 to Rs.80,000,000
5.	October 27, 2000	Increase in the authorized capital of the Company from Rs. 80,000,000 to Rs.105,000,000
6.	February 15, 2001	Increase in the authorized capital of the Company from Rs. 105,000,000 to Rs.105,500,000
7.	March 9, 2006	Increase in the authorized capital of the Company from Rs. 105,500,000 to Rs. 750,000,000
8.	June 7, 2006	Split in the face value of the Equity Shares from Rs.10 to Rs. 5
9.	July 30, 2006	Increase in the authorized capital of the Company from Rs. 750,000,000 to Rs. 2,500,000,000*

* *The Company consolidated the face value of its Equity Shares from Rs. 5 to Rs. 10 per Equity Share after obtaining necessary approval from its shareholders at an Extraordinary General Meeting held on July 30, 2006.*

History and Major Events

Year	Key Events, Milestones and Achievements
1993	Incorporation of the Company
1996	Allotment of the Lanco Kondapalli Project
1997	• Signing of Power Purchase Agreement by LKPPL • Receipt of the NEDCAP approval for setting up the Clarion Power Plant
1998	Setting up of the casting unit of Lanco Kalahasti Castings Limited
2000	• Change in name of the Company from "Lanco Constructions Limited" to "Lanco Infratech Limited" • Commissioning of the 368.144 MW plant of Lanco Kondapalli • Receipt of NEDCAP approval for setting up of 6 MW biomass based plant for Rithwik
2001	Conversion of LKPPL as a natural gas run plant
2002	• Leadership and Excellence Award to Lanco Kondapalli in Safety, Health and Environment 2002 by CII, for water conservation and reduction in effluent discharge • Commissioning of the Chitradurga Power Plant • Execution of the PPA between Rithwik and APCC in relation to the Rithwik Power Plant • Commissioning of the Rithwik Power Plant
2003	• Execution of the PPA between Clarion and APTRANSCO in relation to the Clarion Power Plant • Execution of the PPA between Aban and TNEB with respect to the Aban Power Plant • Execution of the SHA with KVK in relation to Lanco Amarkantak
2004	• Commissioning of the 12 MW plant (bio-mass) of Clarion • Winning of Bid for Setting up of 70 MW Budhil Hydro Electric Project at Chamba, Himachal Pradesh

Year	Key Events, Milestones and Achievements
2005	• Receipt of the OHSAS 18001 certification from Lloyds Register of Quality Assurance for the Lanco Kondapalli Power Plant • Commissioning of the Aban Power Plant; • Commissioning of the 120 MW plant (gas) of Aban • National Award for Excellence in Water Management 2005 – Innovative Project award by CII Hyderabad to Lanco Kondapalli • Lanco Green awarded the SESI business Leadership award for the year 2005 • Execution of PPA with PTC for unit-I of 300 MW for Lanco Amarkantak Power Plant • Execution of PPA with PTC for 70 MW Budhil Hydro Electric Project • Signing of back-to-back PSA between PTC and MPSEB for onward sale of power for Lanco Amarkantak • Execution of the land lease agreement with Chhattisgarh State Industrial Development Corporation in relation to the Lanco Amarkantak Power Plant • Achievement of financial Closure of unit – I of Lanco Amarkantak • Execution of the implementation agreement with Himachal Pradesh Government for the Budhil Power Plant • Execution of the fuel supply agreement with South Eastern Coal Fields Limited for supply of coal for unit –I of the Lanco Amarkantak Power Plant • Winning the bid for the development of an Information Technology Park at Manikonda in Hyderabad and Vizag • TEC received from HPSEB for Budhil Power Plant • TEC received for the Baner –III Project and the IKU-II Project • TEC for the Drinidhar Power Project and the Upper Khauli Power Project forming part of VIPL • Execution of the implementation agreement in relation to the Baner –III Project and the IKU-II Project • Execution of the implementation agreement the Drinidhar Power Project and the Upper Khauli Power Project • Award of the Teesta VI Power Project by the Government of Sikkim • Clarion Power Project registered as a "Clean Development Mechanism" project with the United Nations Framework Convention on Climate Change • Agreement with the Government of Sikkim for the development of Teesta VI Power Project
2006	• Commencement of power trading by Lanco Electric • Awarded the Business Leadership Award for 2005 by the Solar Energy Society • Registration of Rithwik as a "Clean Development Mechanism" project with the United Nations Framework Convention on Climate Change • Appraisal of unit – II of Lanco Amarkantak by PFC and sanction of Rs. 4,690 million. • Financial closure of the Budhil Hydro Electric Project • Financial closure of the Baner –III Project and the IKU-II Project • Financial closure of the Drinidhar Project and the Upper Khauli Power Project • Winning of the bid for setting up three hydro electric projects in the State of Uttaranchal by LHEPL • Execution of an agreement for carbon trading/reduction of emission of GHGs under the CDM by Rithwik and Clarion and receipt of payment by Rithwik in this regard • Execution of the Development Agreement with Government of Uttaranchal for setting up the Uttaranchal hydro electric projects • Receipt of the OHSAS 18001 certification from Lloyds Register of Quality Assurance for the Aban Power Plant

Year	Key Events, Milestones and Achievements
	• Submission of bid for the Anpara project in Uttar Pradesh • Signing of financing documents by Lanco IT Park for assistance of Rs. 3,750 million towards Manikonda Project • Reorganisation of Lanco Group to make LITL the holding company • Execution of share subscription agreement with DEG for acquisition of 11.76% stake by DEG in LAPPL and subsequent disbursement made by DEG • Execution of shareholders agreement with NPCL to acquire 74% stake in NPCL • Execution of PPA with MSEDCL for the Teesta VI Power Project • Receipt of environmental clearance from the Government of India (Ministry of Environment and Forests) for the construction of the Teesta Hydro electric project stage VI • Financial closure of LAPPL (Unit II) • Execution of JDAs with Globeleq Singapore Pte. Limited for the Krishnapatnam and Sasan Power Project and also with SNC-Lavalian International Inc for the Mundhra Power Project • Qualification for Sasan and Mundhra Power Projects • Winning the bid for the Anpara Power Project, receipt of the letter of acceptance from UPRVUNL in that regard and initialing of the project documents for the Anpara Power Project • Commissioning of 8.75 MW wind based power plants in Tamil Nadu • Execution of MOU and PPA for implementation of Orissa Power Project • Appraisal of Teesta VI Power Project by ICICI and sanction of Rs. 4,000 Million • Appraisal of NPCL by PFC and sanction of Rs. 39,500 Million for the Nagarjuna Power Project

Shareholders and JV Agreements

- LITL entered into a shareholders agreement dated October 6, 1997 as amended from time to time with Webenergy Limited, Mauritius, CDC Globeleq Holdings Limited and Doosan Heavy Industries Limited ("**Kondapalli Shareholders**"). Please refer to the shareholding pattern of Lanco Kondapalli in the section titled "Our Subsidiaries and Associates – B. Associates – Lanco Kondapalli Power Private Limited" on page 216 of this Red Herring Prospectus.

  Term: This agreement is effective unless terminated with the mutual consent of the Kondapalli Shareholders.

  Transfer restrictions: The agreement provides that neither shareholder would transfer any of the shares or other securities of Lanco Kondapalli without the prior written consent of the other shareholder. Any transfer of shares in violation of this provision would be null and void, would not be binding upon Lanco Kondapalli and would constitute breach of material obligations under the agreement.

  Notwithstanding the provisions above, each shareholder would have the option to transfer its legal and beneficial interest in the shares of Lanco Kondapalli held by it to any of its affiliates, subject to the approvals of the other shareholders, and such approvals would not be unreasonably withheld or delayed. In the event of such a transfer, the selling shareholder would continue to remain the primary and sole obligor and guarantor of all obligations of, and the performance by, such affiliate under the agreement. In the event the affiliate of the selling shareholder to whom any shares are transferred ceases to remain an affiliate, the selling shareholder is required to cause such affiliate to transfer such shares to another affiliate of the selling shareholder or to the selling shareholder itself.

  However, where any such transfer is made to a competitor of the other shareholder, such transfer would be null and void and would not be binding upon Lanco Kondapalli and would constitute a breach of the material obligations under the agreement.

  Right of first refusal: In the event a shareholder desires to transfer all or a part of its shares in Lanco Kondapalli to any person other than its affiliate, the selling shareholder would, prior to the completion of any such transfer, give written notice to the continuing shareholders offering such shares to the continuing shareholders in proportion to the shares then held by each continuing shareholder specifying the offer and the price to be paid for such shares. The continuing shareholder would have, for a period of 60 days after receipt of such notice, an irrevocable option to purchase all the shares offered to such person at the price specified in the notice.

  If one or more of the continuing shareholders fails to exercise the option to purchase and notifies the selling shareholder that it has decided not to exercise the option, but has otherwise given its consent to such transfer, the selling shareholder is required to offer to the other continuing shareholders, such shares in proportion to the shares held by each of those other continuing shareholders. Any such remaining shares that have not been taken by the continuing shareholders may be transferred freely anytime within 60 days following the expiration of the option period or from the date of receipt of notice of the last continuing shareholder, whichever is earlier. This is subject to the provision that-

a) such shares would be transferred only to the person to whom the shares were offered or the person who offered to purchase the shares, as the case may be and for the price specified in the selling shareholder's notice to the continuing shareholder; and

b) immediately upon such transfer, such person would agree to carry out all the obligations of the selling shareholder, by way of an instrument in writing.

Tag along rights: Notwithstanding the provisions of the Shareholders Agreement, in the event that the selling shareholder decides to transfer all or part of its shares in Lanco Kondapalli to the person to whom such shares were offered, or to the person who offered to purchase the shares, the continuing shareholders would have the option to also transfer all or part of their shares ("**Tag Along Shares**") to such person. In such an event, the selling shareholder would cause such person to purchase such Tag Along Shares and unless such person consummates the purchase of all the shares offered to it by the continuing shareholders, the selling shareholder would not transfer the shares owned by it to such person.

Transfer upon change of control: The parties are required to immediately notify the other shareholders and Lanco Kondapalli of any change of control of Lanco Shareholders or of EGL withdrawal 30 days prior to its occurrence or upon immediately becoming aware of such an event. The shareholders would, for a period of 60 days after the notification of such change or withdrawal, have the irrevocable right to purchase all the shares of Lanco Kondapalli at a price determined by an independent firm of chartered accountants mutually acceptable to the parties.

Transfer to other shareholder: In the event of termination of the agreement, the shareholder giving notice of such termination would have, for a period of 60 days after delivery of such notice, an irrevocable option to purchase all of the shares then owned by the other shareholder for consideration equal to-

a) 50% of the price, in case the termination is due to an incurable breach by any of the parties, or

b) at the price of the shares, in case the termination is due to any other reason.

Directors: the Board would consist of a maximum of 12 directors elected by the shareholders. Lanco Shareholders have the right to nominate not more than six directors and EGL has the right to nominate not more than three directors and the remaining directors are to be nominated by the other shareholders, or if required, by any financial institution which lends funds to Lanco Kondapalli. Lanco Shareholders would always have at least one more director on the Board than the aggregate number of directors nominated by EGL, and such number would not be less than three.

The chairman of the board would be appointed from among the directors nominated by Lanco Shareholders and would not have a second or a casting vote in case of equality of votes at board meetings. The Company has the right to manage the affairs of Lanco Kondapalli.

Shareholders Meetings: All general meetings would be governed by Lanco Kondapalli AOA and the applicable law. In addition to the matters requiring a special resolution, decisions of shareholders with respect to any of the following matters would require an affirmative vote of 75% of the shareholders:

a) any change or modification of the Memorandum of Association or the Articles of Association of Lanco Kondapalli;

b) any increase, reduction or alteration of the authorized or issued capital;

c) obtaining loans or provision of guarantees or security to other companies under the same management;

d) any change of corporate purpose or commencement of a new line of business;

e) any request to the Government to investigate the affairs of Lanco Kondapalli and to appoint inspectors for such purpose;

f) any liquidation, dissolution or winding-up of Lanco Kondapalli;

g) the transfer or assignment of any license or permit or any financing document or the creation of any right, title license or interest in favour of any third person in connection with such license etc.

Termination: The agreement may be terminated upon prior written notice by any of the parties for any of the following reasons:

a) on occurrence of a material breach of any of the terms of the agreement, which breach remains uncured for 60 days following written notice of such breach by the other party or if such breach is inherently incapable of being cured within such 60 days or if the party responsible for the breach, fails to undertake steps in good faith, towards curing such breach within 60 days;

b) the inability of either party to pay its debts exceeding US$ 10,000 which inability is not cured within 60 days or the adjudication of the party as bankrupt or insolvent or the appointment of receiver for the business of such party; or

c) if any of the party's aggregate beneficial ownership in Lanco Kondapalli falls below 5% of the issued shares unless otherwise expressly agreed in writing by such party.

The fourth amendment agreement dated November 3, 1998 provided that the LKPPL Shareholders Agreement should not be terminated without the prior written approval of the lead institution of the consortium of lenders to Lanco Kondapalli. The promoters of Lanco Kondapalli agreed that they would not transfer their shares in Lanco Kondapalli without the prior approval of the lead institution. This clause specifically excludes any transfer of shares within the promoter group.

- LITL ("**Purchaser**") has entered into a share purchase agreement dated July 10, 2006 with Globeleq ("**Seller**").

The Seller has agreed to sell 85,340,000 voting shares amounting to 25.1% of the voting shares in Lanco Kondapalli's capital for consideration of US$ 30 million. The Company was required to make a non-refundable deposit on the date of the agreement and the balance consideration is required to be paid within 90 days from the date of the agreement or on November 15, 2006 ("**Longstop Date**"), whichever is earlier. Before such date, the Purchaser is required to obtain the approval from the concerned Governmental authority for making such a payment on account of the Seller being a non-resident. We will apply to the RBI and the FIPB for their approval of the changes in shareholding undertaken in LKPPL. Further, we are also required to obtain the consent of the other shareholders of LKPPL prior to completion of the aforementioned sale pursuant to the terms of the LKPPL Shareholders Agreement.

Upon receipt of the full payment, the Seller is required to deliver the shares to the Purchaser with undated stock powers, endorsed in blank and any other documents required to effect the transfer of shares.

On failure to make any payment on the due date or in case of extension of the Longstop Date by the Seller, the party failing to make the timely payment would have to pay an interest at the rate of LIBOR + 2.5% per annum until the date of actual payment.

It is provided that if the conditions under this agreement are not satisfied or waived on or before the Longstop Date, the agreement would terminate except for certain clauses. It is provided that, upon termination, the non-refundable deposit would be retained by the Seller in its sole discretion and further the Seller may extend such Longstop Date in its sole discretion for such period as it may deem appropriate.

It is further provided that the Seller would not be entitled to rescind this agreement, upon breach of any warranty, prior to the completion, if:

- The loss or damage to the Purchaser is clearly quantifiable and is capable of remedy by financial compensation;
- The quantum of claim arising from the breach does not exceed USD 250,000; and
- The Seller remedies the relevant breach by paying to the Purchaser the amount claimed within 90 days of being notified of the relevant breach

Also, neither party may assign its rights/ obligations under the agreement without the prior written consent of the other party.

- LITL entered into a shareholders agreement ("LITL-Aban SHA") dated September 18, 2002 as amended from time to time with Aban and Genting Power (India) Limited ("**GPIL**"). Please refer to the shareholding pattern of Aban in the section titled "Our Subsidiaries and Associates – A. Subsidiaries – Aban Power Company Limited" on page 199 of this Red Herring Prospectus.

The main terms of the LITL - Aban SHA are as follows:

<u>Term:</u> LITL - Aban SHA is effective and would continue to be valid and in full force and effect against the Company for so long as the Company holds equity shares in Aban.

<u>Transfer Restrictions:</u> The equity shares held by the parties are subject to the following transfer restrictions:

Right of First Refusal

If Aban Lloyd Chiles Offshore Limited ("**ALCOL**") proposes to sell any of its equity shares in Aban to any person, it is required to first give a written notice to the Company and GPIL and the Company and GPIL have the right to acquire such shares in accordance with the procedure prescribed in the agreement. The Company or GPIL may, in their sole discretion, designate any other person to acquire the equity shares being offered by ALCOL to the Company and GPIL.

If GPIL proposes to sell any of its equity shares in Aban to any person, it is required to first give a written notice to the Company and the Company has the right to acquire such shares in accordance with the procedure prescribed in the agreement. In the event the Company does not elect to purchase the shares then, GPIL is required to offer the shares to ALCOL and ALCOL has the right to acquire such shares in accordance with the procedure prescribed in the agreement. In the event the shareholding of GPIL falls below 10% of the issued and paid-up equity share capital of Aban, then GPIL would not be entitled to exercise any of its rights under the LITL - Aban SHA.

If the Company proposes to sell any of its equity shares in Aban to any person, it is required to first give a written notice to GPIL and GPIL has the right to acquire such shares in accordance with the procedure prescribed in the agreement. In the event GPIL does not elect to purchase the shares, then the Company is required to offer the shares to ALCOL and ALCOL has the right to acquire such shares in accordance with the procedure prescribed in the agreement. In the event GPIL and ALCOL do not elect to purchase the shares being sold by the Company, GPIL and ALCOL have a right to tag along, whereby the third party purchaser who is willing to buy the Company's shares would have to purchase the shares held by GPIL and ALCOL, at the same price offered to the Company in accordance with the procedure prescribed in the agreement. The Company would be free to transfer the equity shares in any manner whatsoever, subject to the "right of first refusal" described above.

Directors

The Company is entitled to nominate three directors for appointment, GPIL is entitled to nominate three directors for appointment and ALCOL is entitled to nominate two directors for appointment to the board of Aban.

Shareholders and Board Meetings

All meetings of the shareholders shall be held in accordance with the Companies Act and the Company's charter documents. The Board would meet at least once every three months, the quorum for the meeting of the board would be determined in accordance with the Companies Act and the charter documents, provided that, a minimum 10 days prior written notice is given to each director unless otherwise agreed by at least one director appointed by the Company, one director appointed by GPIL and one director appointed by ALCOL, for any meeting.

Affirmative Vote

Any decision of the board is to be based on the majority vote, however with respect to certain matters listed out in the schedule an affirmative vote of one director appointed by the Company, one director appointed by GPIL and one director appointed by ALCOL is required to validate the resolutions passed by the board. The resolutions of the shareholders are to be passed by simple majority, however affirmative vote of one shareholder of the Company, one shareholder of GPIL and one shareholder of ALCOL is required in order to validate the resolutions on matters listed out in the schedule.

Termination

LITL - Aban Agreement can be terminated by any party in the event: (a) any party goes bankrupt, is liquidated or is wound up; (b) breaches a material term of the agreement and such breach is not remedied within 60 days by the defaulting party; and (c) that a change in control takes place with respect to any party. In the event a change in control occurs with respect to ALCOL, it would be deemed that the transaction has been effected by change in control as if termination sale notice has been issued by the Company and or GPIL to ALCOL; in the event a change in control occurs with respect to the Company any of its affiliates directly holding shares in Aban, such that entire shareholding and not any part of the Company and or its affiliates is no longer held by the Company and or its affiliates, it would be deemed that termination sale notice has been issued by ALCOL and or GPIL to the Company and in the event a change in control occurs with respect to GPIL any of its affiliates directly holding shares in Aban, such that entire shareholding and not any part of GPIL and or its affiliates is no longer held by GPIL and or its affiliates, it would be deemed that termination sale notice has been issued by the Company and or ALCOL to GPIL.

- LITL has entered into a shareholders agreement ("**LITL-KVK SHA**") dated October 3, 2003 as amended from time to time with KVK and Lanco Amarkantak (formerly known as K.V.K. Energy Private Limited). Please refer to the shareholding pattern of Lanco Amarkantak in the section titled "Our Subsidiaries and Associates – Lanco Amarkantak Power Private Limited" on page 200 of this Red Herring Prospectus.

Background: Lanco Amarkantak had been licensed to develop, finance, construct, own, operate and maintain a coal based power plant at Pathadi village, Korba District, Chhattisgarh, India by the Government of Chhattisgarh. The Company agreed to become a partner in the project subject to certain terms and conditions. Pursuant to the share subscription agreement and the LITL-KVK SHA, the Company invested a certain amount of capital into Lanco Amarkantak such that the Company held equity shares constituting 77 % of the paid up capital of Lanco Amarkantak.

The main terms of the LITL-KVK SHA are as follows:

Term: The agreement is effective and would continue to be valid and in full force and effect against the Company for so long as the Company holds equity shares in Lanco Amarkantak.

Transfer Restrictions: The equity shares held by the parties are subject to the following transfer restrictions:

Right of First Refusal: If KVK proposes to sell any of its equity shares in Lanco Amarkantak to any person, it is required to first give a written notice to the Company and the Company has the right to acquire such shares in accordance with the procedure prescribed in the agreement. The Company may, in its sole discretion, designate any other person to acquire the equity shares being offered by KVK. In the event the Company elects not to purchase the shares being sold by KVK, KVK may sell the same to a third party purchaser. However, if pursuant to such sale of shares to the third party, the shareholding of KVK in Lanco Amarkantak falls below 15%, KVK cannot exercise the rights under the LITL-KVK SHA. Further KVK is restricted from transferring shares to a third party engaged in the same strategic business as the Company or any of its affiliates or persons who are competitors of the Company.

If the Company proposes to sell any of its equity shares in Lanco Amarkantak to any person, it is required to first give a written notice to KVK and KVK has the right to acquire such shares in accordance with the procedure prescribed in the agreement. In the event KVK elects not to purchase the shares in Lanco Amarkantak being sold by the Company, the Company may sell the same to a third party purchaser. However, if pursuant to such sale of shares to the third party, the shareholding of the Company falls below 51%, KVK has a right to tag along, whereby the third party purchaser who is willing to buy the Company shares would have to purchase the shares held by KVK at the same value offered to the Company in accordance with the procedure prescribed in the agreement.

Directors: The Company has a right to nominate four directors and KVK has the right to nominate two directors to the board. The CEO would be the nominee of the Company. Further the parties have agreed that the chairman shall be elected by the directors from amongst the Company directors. The chairman would not have a casting vote.

Shareholders and Board Meetings: All meetings of the shareholders would be held in accordance with the Companies Act and the company's charter documents. The board is required to meet at least once every three months. The quorum for a meeting of the board is to be determined in accordance with the Companies Act and the charter documents, provided that, a minimum 10 days prior written notice shall be given to each director unless otherwise agreed by at least one director appointed by the Company and one director appointed by KVK, for any meeting.

Affirmative Vote: The decision of the board would be made on the basis of majority vote, however, with respect to matters listed out in the schedule an affirmative vote of one director appointed by the Company and one director appointed by KVK is required to validate the resolutions passed by the board. The quorum for shareholders meetings would not be complete unless one representative of the Company and one representative of KVK are present at the meeting. The resolutions of the shareholders are passed by simple majority, however affirmative vote of one shareholder of the Company and one shareholder of KVK is required in order to validate the resolutions on matters listed out in the schedule including:

a) Any change or modification in the bye laws;

b) Any increase, reduction or alteration of the authorized or issued capital; and

c) Any liquidation, dissolution or winding-up.

Termination: The LITL KVK Agreement can be terminated by any party in the event: (a) any party goes bankrupt, is liquidated or is wound up; (b) breaches a material term of the agreement and such breach is not remedied which 60 days by the defaulting party; and (c) any change of control takes place with respect to the other party. In the event a change in control occurs with respect to KVK, it would be deemed that the transaction has been effected by change in control as if termination sale notice has been issued by the Company to KVK and in the event a change in control occurs with respect to the Company or any of its affiliates directly holding shares in Lanco Amarkantak, such that entire shareholding and not any part of the Company and or its affiliates is no longer held by the Company and or its affiliates, it would be deemed that termination sale notice has been issued by KVK to the Company.

First Amendment to the LITL-KVK SHA

LITL-KVK SHA was amended on October 26, 2004. The main provisions of the said amendment agreement are as follows:

The Company has applied to the Ministry of Coal, Government of India, for allocation of captive coal mining block in the State of Chhattisgarh, for uninterrupted supply of fuel. The parties have agreed that the rights to the captive coal mining activity and operation and management would vest exclusively in the Company. The Company would at its discretion conduct the captive coal mining activity either as a division of the project or through a separate company or as a subsidiary. The parties have further agreed that in the event the Company incorporates a new company the entire equity capital required for such new company would be brought in by the Company either directly or through its associated companies or by inviting third parties to subscribe to such equity at its discretion. In the event there is an imposition of any condition by the concerned ministry or Government requiring the project company to hold minimum shares or all the shares in the proposed coal mining company, the Company and KVK would accordingly bring in the equity into the proposed coal mining company in a proportionate manner so as to maintain their inter se shareholding percentages in LAPPL. The parties have further agreed that in the event any shareholder does not subscribe to the equity shares in the coal mining company, the Company may bring in the shortfall directly or through its associated companies or invite third parties to subscribe to the same at its discretion. The coal price charged by the Company to LAPPL would not exceed the price charged by South Eastern Coal Fields.

Further, it was provided that upon reduction of the shareholding of any shareholder to less than 15%, such shareholder shall be entitled to nominate only one director to the board of LAPPL and if there is any subsequent reduction in the percentage of shareholding to less than 11%, such shareholder would lose the right to nominate any director to the board.

Second Amendment to the LITL-KVK SHA

The LITL-KVK SHA was further amended on June 21, 2006 whereby the parties agreed that the aggregate legal and beneficial ownership of LITL in Lanco Amarkantak would not be less than 90% of its issued and paid up capital. However, LITL is entitled, in its absolute discretion, to reduce its equity ownership below 90% by way of transfer of its shares to any third person. It was agreed that the parties can take up expansion of the capacity over and above 600 MW being the capacity of the Lanco Amarkantak Power Project in later stages. It is further provided that on issuance of subscription notice, if the initial promoters fail to bring in equity, their equity stake would be diluted accordingly if LITL brings in the corresponding equity.

If LITL's shareholding is reduced below 51% the initial promoters would have the right to tag along with LITL.

It was also provided that LITL would have the right to nominate four directors to LAPPL's board. If the lenders wish to appoint their nominees on the board or if independent directors are appointed on the board, the board shall be reconstituted to include additional LITL directors such that LITL, shall at all times during the term of the agreement, constitute a majority on the board. The initial promoters have the right to have one nominee on the board upon LITL reaching 75% in LAPPL. From that date, their rights under the LITL-KVK SHA including their right to affirmative vote would cease and become inoperative. In the event of transfer of their 10% shareholding to any third party, after giving LITL the right to first refusal, the new investor would have the right to have one nominee on the board but without any further rights so long as he holds 10% shareholding in LAPPL.

Subscription agreement dated May 30, 2006 between Lanco Amarkantak and DEG

DEG has agreed to subscribe to a maximum of 61,900,000 equity shares at a certain price amounting to 11.76% shareholding in Lanco Amarkantak to part finance the Lanco Amarkantak Power Project. Except with the prior written consent of DEG, the price per share payable by DEG to LAPPL shall not exceed the price at which other investors, except PTC, subscribe during the subscription by DEG, as aforesaid.

Except unless expressly provided by DEG, LAPPL shall not take any action that may result in dilution of DEG's shareholding below 10%, which is its minimum shareholding. However, DEG may not be required to hold such minimum shareholding in the event of dilution of its shareholding due to DEG's inability to subscribe to further shares issued pursuant to a subscription request. Further, LAPPL may, with the prior written consent of DEG infuse additional capital, due to increase in project cost, which may result in a proportionate dilution of DEG's shareholding below its requisite minimum shareholding. This, however, is subject DEG's right to subscribe to such additional capital within two months after providing DEG with a subscription request. In case DEG's proportionate capital dilution is caused due to project expansion of the capacity or acquisition of a coal mine, prior written consent need not be obtained from DEG. The agreement provides that if IFC subscribes to the equity shares of LAPPL, DEG is required to dilute its shareholding up to 9% and its minimum shareholding would be reduced to 5%.

DEG may, by notice to the Company, suspend or cancel its obligation to subscribe to any unsubscribed or unpaid portion if the conditions precedent for DEG's subscription have not been met or in the case of happening of a liquidity event, which includes LAPPL issuing shares to the public by means of an IPO or if it lists its shares on any recognized stock exchange. In addition to the above, DEG may, by notice to the Company, suspend or cancel its obligation to subscribe to any unsubscribed or unpaid portion on or after December 31, 2009.

DEG is required to hold shares for a period of five years from the date of the first DEG subscription, which is the initial compulsory investment period for Phase I provided no liquidity event has occurred during that period. Upon the expiry of such initial compulsory investment period and pursuant to an IPO by the holding company of LAPPL, DEG would have the right to swap its shares with LITL (or certain other listed Lanco group entities being TMIL, Island Power Ventures Limited, Century Investments Limited that hold the majority stake in LAPPL). The swap ratio would be based on the respective valuations of the two companies at the time of exit, for which an independent valuer would be appointed. In the event of any disagreement on the share swap price, DEG would have the right, exercisable after one year from the date of expiry of the initial compulsory investment period, to cause LAPPL to come out with an IPO.

After the completion of the initial compulsory investment period, DEG would have the option to sell its shareholding in LAPPL to another strategic/ financial investor (who is not in direct competition with any of Lanco Group's businesses), subject to a right of first refusal to the other shareholders of LAPPL. The transferee is required to become a party to the shareholders agreement proposed to be entered into. Further, the transferee would have to undertake to carry on all the obligations of DEG under the shareholders agreement.

DEG also has the right to tag along with any other shareholder of LAPPL, at any time, on a pro rata basis.

Further, LAPPL agreed that it would not, without the prior written consent of DEG:

- effect any change to its charter, if such change effects the rights of DEG;

- create a new subsidiary for unrelated activities;
- do any act that may cause a change in control of LAPPL;
- enter into an arrangement for reorganisation that would have a material adverse impact on the dividend flows of DEG, its proportionate voting rights or its effective shareholding in LAPPL

DEG would have the right to appoint one director on LAPPL's board of directors as long as DEG maintains its minimum shareholding. It is provided further that in the specific case of where there is a time over run from the project implementation schedule, DEG would continue to have such a right till the completion of construction of Phase II of the project.

Each of the parties would have the right to terminate this agreement if the first DEG subscription for Phase I is not completed within three months from the date of this agreement.

Third Amendment to the LITL-KVK SHA

Following the subscription by DEG, the LITL-KVK SHA was further amended on August 22, 2006 to further define and determine the respective rights and obligations of each party with the effect of induction of DEG as new shareholder in LAPPL. As per the amended SHA, the Lanco group of entities (comprising of LITL, TMIL, Century Investments Limited and Island Power Ventures Limited), the initial promoters and DEG agreed to subscribe to the share capital of LAPPL such that they respectively hold 78.24%, 10% and 11.76% each of the share capital of LAPPL.

The amendment provides that as and when required, LAPPL may call upon its shareholders to subscribe to its shares and if they apply for such subscription, LAPPL shall issue and allot shares such that they rank pari passu with the existing shares. In case of failure on the part of any party to bring in requisite equity, the Lanco group of entities, as aforelisted, would have the right to bring in such short fall equity and the shareholding of the defaulting party would be diluted accordingly.

It is provided that at all times, the directors appointed by the Lanco group of entities would constitute majority in the board irrespective of the lenders nominees or independent directors, if appointed. The initial promoters would have the option to appoint one nominee director if their equity reached 10% in LAPPL or if the equity held by the Lanco group of entities' reaches 75%, whichever is earlier. In the event of transfer of the initial promoter's shareholding to a third party, such third party would have the right to nominate its directors on the board provided the new investor would hold not less that 10% equity in LAPPL. DEG would also have the right to appoint one director on the board as long as DEG maintains its minimum shareholding, which is 10% of LAPPL's equity. If IFC in its capacity as the senior lender subscribes to LAPPL's shares, DEG's minimum shareholding would be reduced to 5% and for further details in this regard, please refer to the section titled "Description of Certain Indebtedness – Details of Secured Borrowings of Lanco Amarkantank (Unit II)" on page 272 of this Draft Red Herring Prospectus. In case DEG fails to subscribe to further shares issued by LAPPL, it would continue retaining its nominee director on the board as long as it maintains 5% shareholding in LAPPL.

After the initial compulsory investment period, which is five years from the date of first DEG subscription, DEG would have the option to sell its shareholding in LAPPL to another strategic financial investor after giving the first right of refusal to the aforesaid Lanco group of entities. The transferee would not, however, have the right to appoint its director on LAPPL's board. In case of a liquidity event, as defined in the said agreement, DEG would have the right to transfer its shareholding to the strategic financial investor subject to the first right of refusal to Lanco group of entities.

In case of any sale of Lanco group of entities' shareholding, DEG has the right of tag along. DEG would also have such right in the event of sale by any other shareholder but such right shall be subject to the initial compulsory investment period.

Further, DEG would also have the right to a share-swap upon satisfaction of certain conditions wherein it could swap its shares with LITL's shares. The swap ratio would be based on the respective valuations of the two companies at the time of exit. In the event of any disagreement in the valuation of the share swap price, DEG would have the right, exercisable after one year from the expiry of the initial compulsory investment period, to cause LAPPL to come out with an initial public offering of its shares.

This agreement would be terminated upon mutual written consent of all the shareholders or if DEG ceases to be a shareholder or fails to subscribe to LAPPL's shares by August 30, 2006 as per the share subscription agreement. In the event of termination, the parties would have the right to sell their shareholding to other strategic, financial investors subject to the right of first refusal of Lanco group of entities.

Share Subscription, Retention and Undertaking Agreements for Units I and II

For the part financing of the 300 MW (Unit I and II of the 4 X 300 MW power plant) coal based thermal power plant in Chhattisgarh, LAPPL entered into certain facility agreements with a consortium of banks with PFC as the lead member of such consortium. For further details, please refer to the section titled "Description of certain Indebtedness - Details of Secured Borrowings of Lanco Amarkantak" on page 270 of this Red Herring Prospectus. Pursuant to the said facility agreements along with the agreements for the appointment of the security agent and lenders' agent between the lenders and LAPPL, the promoters themselves or along with any financial investors agreed to subscribe to the Unit I equity capital to the extent of Rs. 2,583.80 million and to Unit II equity capital to the extent of Rs. 2,680.10 million. In order to satisfy this condition, Century

Investments Limited, TMIL, the Company, LAPPL and Power Finance Corporation Limited entered into these agreements for Units I and II on August 4, 2005 and June 19, 2006 (amended on August 11, 2006) respectively.

Under these agreements it is provided that the promoters cannot, without the prior approval of the lenders transfer any rights, title or interest, in the promoters' equity interest, including standby equity which the promoters may acquire in future, to any person and shall continue to own the shares owned by it and subsequently owned by it until the termination of these agreements. These agreements terminate upon the termination of the facility agreements. It further provides that the promoters cannot, without the prior written consent of the lenders, *inter alia*, (i) enter into agreements or arrangements for the transfer of or grant to any person the right to call for the transfer of any shares; (ii) take action with regard to the rights attached to the promoters shares; (iii) do any thing that may dilute diminish or otherwise prejudice the lenders rights; (iv) change the authorised and paid up capital, increase or decrease the same except in accordance with the financial plan of LAPPL; (v) amend the Memorandum of Association or Article of Association except as permitted by the lenders (vi) undertake or permit any amalgamation, merger or consolidation of LAPPL's business or assets with any other business, or sale of all or substantially all of its assets or any other fundamental change which has a substantially similar effect (vii) divest any shareholding in Lanco Kondapalli, APCL, Rithwik and CPCL (viii) declare any dividend or commit fresh equity in any other new project till the committed equity is fully subscribed and paid up.

- The Company has entered into a shareholders agreement ("Nagarjuna SHA") dated May 28, 2006 with Nagarjuna Holdings Private Limited ("NHL") and Nagarjuna

<u>Background:</u> NHL, the holding company of NPCL, had incorporated NPCL for the purposes of execution of the Nagarjuna Power Project and NHL along with its affiliates and associates held the entire paid-up share capital of NPCL. Pursuant to the award to NPCL to design, construct, own and operate the Nagarjuna Power Project, it subsequently entered into a PPA dated December 26, 2005 with Bangalore Electricity Supply Company Limited, Mangalore Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited and Hubli Electricity Supply Company Limited to supply power on the terms and conditions as provided in the PPA.

The Company proposed to participate in the equity of NPCL and agreed to subscribe to 74% of the equity of NPCL.

<u>Deposit:</u> The Company paid a deposit of a certain amount on the date of signing the Nagarjuna SHA and has further agreed to pay a certain amount by September 30, 2006. In the event the Company fails to achieve financial closure as detailed in the project report in relation to the Nagarjuna Power Project , NHL would have the right to forfeit the deposit after giving notice of 30 days during which the Company may remedy the default. However, upon the lapse of the said 30 day period, the Nagarjuna SHA provides that the Company would not have any rights whatsoever with respect to the Nagarjuna SHA and that NHL would be free to deal with the equity shares of NPCL in the manner it deems appropriate.

<u>Subscription to NPCL's equity:</u> The Company has agreed to bring in necessary funds, from time to time, so as to subscribe to a maximum of 74% stake in NPCL's equity. NHL has agreed to subscribe to the balance residual equity after the financial closure as aforementioned, which would not be later than March 31, 2007. In the event that the Company fails to bring in the funds at the appropriate time to meet NPCL's requirements, NHL would not be responsible to meet the shortfall of funds.

<u>Capital structure:</u> As on the date of financial closure, the Company would have to hold 74% of NPCL's equity and NHL would have to hold the balance 26%.

<u>Board of Directors</u>: The Nagarjuna SHA provides that the Company has the right to nominate two directors with effect from the date of signing of the Nagarjuna SHA and NHL has the right to nominate three directors till the date of financial closure. Subsequent to the financial closure, the Company would have the right to nominate three directors and NHL would have the right to nominate two directors.

Further, it was provided that, immediately after the date of financial closure, the Company would have the right to appoint the Chief Executive Officer or the Chief Operating Officer for carrying out the day to day affairs of NPCL.

<u>Transfer of shares:</u> The Company agreed not to transfer any of its shares in NPCL to any person until NPCL achieves financial closure. Further, NHL can not transfer its 26% shareholding in NPCL, either partly or wholly to any third party without first offering it to the Company or its nominees.

- **The Company has purchased the entire shareholding of Vamshi Industrial from M. Keshav Reddy, K. Raghuveer, N. Ramakrishna Reddy, N. Ramesh Reddy, K. Jayaveer, N. Jayapal Reddy and N. Ram Bhupal Reddy. The Company has purchased the entire shareholding of Vamshi Hydro from M. Keshav Reddy, N. Jayapal Reddy and N. Ram Bhupal Reddy. These purchases were made by way of share purchase agreements dated January 5, 2005. These sellers were third parties not related to the Company and they passed on the management control of Vamshi Industries and Vamshi Hydro to the Company pursuant to the aforesaid purchase.**

Joint Venture Agreements

- **Lanco Rani Joint Venture**

  The Company has formed a joint venture by the name of "M/s Lanco Rani Joint Venture" with Rani Constructions Private Limited ("**Rani Constructions**") to execute the work of construction of Purnea Gayakota Section of NH-31 in the State of Bihar that was granted to them by the NHAI. Both the Company and Rani Constructions have entered into a deed of partnership dated September 21, 2001 whereby it was resolved that the profits and losses in relation to the Lanco – Rani Joint Venture would be shared equally between the partners. The partnership is proposed to be funded equally by the partners as and when capital is required by the entity. The registered office of the joint venture is Lanco House, 141, Avenue #8 Road #2, Banjara Hills, Hyderabad – 500 034. It is also agreed that all assets, tangible or otherwise would belong to both the parties equally and would be used in the business of the joint venture.

- **Memorandum of Understanding dated October 19, 2005 between the Company and Mantri Developers Private Limited ("MDPL").**

  Andhra Pradesh Industrial Infrastructure Corporation ("**APIIC**") granted a letter of award dated August 17, 2005 to the Company, for the development of an IT Park on land admeasuring approximately 100 acres, situated at Manikonda, Hyderabad, Andhra Pradesh. The Company subsequently entered into an MOU dated October 19, 2005 with MDPL whereby MDPL agreed to become a partner in the abovementioned project.

  The Company promoted an SPV titled "Lanco Technologies Private Limited", for the purpose of development of the IT Park at Manikonda, Andhra Pradesh. The name of Lanco Technologies Private Limited was subsequently changed to "Lanco Technology Park Private Limited" on June 7, 2005, to "Lanco Mantri Technology Park Private Limited" on November 24, 2005 and further to "Lanco Hills Technology Park Private Limited" on July 6, 2006. The Company currently holds 99.9% of the share capital of Lanco Hills.

  MDPL filed a suit in relation to its participation under the Hyderabad Property Project and for further details, please refer to the section titled "Outstanding Litigation and Defaults – A. Lanco Infratech Limited - Cases Against the Company – Miscellaneous Cases" on page 250 of this Red Herring Prospectus.

- **Memoranda of Understanding dated November 29, 2004 between the GOHP and VHEPL for setting up Baner III and IKU II Projects**

  The MOUs record that VHEPL was selected to set up hydro electric power generation projects with capacities of 5 MW each in Kangra district of Himachal Pradesh. For each of the projects, VHEPL has submitted an irrevocable bank guarantee for Rs. 2 million as security in favor of Himachal Pradesh Government Energy Development Agency ("**HIMURAJA**"). It is provided that the HIMURAJA has the power to forfeit the security amount in the event of breach of the terms of the MOUs by VHEPL. The MOUs are valid for 30 months from the date of execution or until such time as may be extended by the Government. As per the terms of the MOUs, VHEPL is required to carry out detailed investigations and techno economic studies with respect to the projects and submit detailed project reports within a period of 30 months from the date of the MOU. Once the detailed project report has been submitted, GOHP is required to scrutinize the viability of the same and inform VHEPL of any defect for rectification. In the event VHEPL does not rectify the defects within a period of 30 days of the receipt of communication from the Government, the Government is entitled to terminate the MOU and forfeit the bank guarantee deposited with HIMURAJA. VHEPL is also required to submit quarterly progress reports to HIMURAJA. VHEPL is further prohibited from transferring the rights accrued to it under the MOUs to any other party.

- **Memorandum of Understanding dated November 29, 2004 between the GOHP and VIPL for setting up Upper Khauli Project**

  The MOU records that VIPL was selected to set up hydro electric power generation project with a capacity of 5 MW in Kangra district of Himachal Pradesh. VIPL has submitted an irrevocable bank guarantee for Rs. 2 million as security in favor of HIMURAJA. It is provided that the HIMURAJA has the power to forfeit the security amount in the event of breach of the terms of the MOU by VIPL. The MOU is valid for 30 months from the date of execution or until such time as may be extended by the Government. As per the terms of the MOU, VIPL is required to carry out detailed investigations and techno economic studies with respect to the project and submit a detailed project report within a period of 30 months from the date of the MOU. Once the detailed project report has been submitted, GOHP is required to scrutinize the viability of the same and inform VIPL of any defect for rectification. In the event VIPL does not rectify the defects within a period of 30 days of the receipt of communication from the Government, the Government is entitled to terminate the MOU and forfeit the bank guarantee deposited with HIMURAJA. VIPL is also required to submit quarterly progress reports to HIMURAJA. VIPL is further prohibited from transferring the rights accrued to it under the MOU to any other party.

- **Memorandum of Understanding dated September 26, 2006 between the GoO and Lanco Group Limited for setting up the Orissa Power Project**

  LGL is proposing to set up the Orissa Power Project in pursuance of which it has entered into this MOU. In terms of this MOU, GoO has agreed to provide all assistance to LGL for the construction and operation of the Orissa Power Project including the acquisition of land, allocation of coal block and the sanction of a mining lease. The GoO has also undertaken to ensure power supply from the Orissa Power Transmission Corporation Limited during the construction of the Orissa Power Project at the applicable tariff. For further details, please refer to the section titled "Description of Certain Important Project Contracts-Orissa Power Project" on page 112 of this Red Herring Prospectus.

  This MoU is valid for a period of three years from its execution and may be further extended by the GoO at LGL's request. No such request would be considered unless LGL has made substantial progress in the implementation of the Orissa Power Project. Further, the MoU may be terminated by either party, by giving three months written notice, in the event of inadequate progress in the implementation or in case of any default of the provisions of the MOU or by mutual consent.

  The MOU states that if the GoO or its nominated agency fails to honour its commitment under the PPA, LGL would have the right to sell such power to any other party in or outside the State of Orissa. It is also provided that LGL may set up its own transmission facility for evacuation of power to the point of off-take by the buyer(s) or may request any of the transmission utilities or the licensee for evacuation of power from the Orissa Power Project.

- **JDA dated August 30, 2006 between Globeleq Singapore Pte. Limited ("Globeleq Singapore") and the Company**

  The JDA was entered into between Globeleq Singapore and the Company as a precondition to the RFQ in relation to the Krishnapatnam Power Project and towards making the bid for the Krishnapatnam Power Project and for entering into a PPA thereafter, subject to the said bid being successful, with the SEBs/ electricity distribution companies/ state electric utilities of Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra for the sale of power.

  The JDA records that Globeleq Singapore and the Company would bid as a consortium and Globeleq Singapore would be the lead member of such consortium. Further, it was agreed that both parties would be jointly and severally liable towards the contribution of equity towards the Krishnapatnam Power Project. The equity contribution of Globeleq Singapore and the Company would be in the ratio of 70:30 if a SPV is incorporated for the execution of the Krishnapatnam Power Project. However, this ratio of financial commitment would not undermine any party's liability hereto and each party would, irrespective of the quantum of its commitment, be jointly and severally liable.

  Globeleq Singapore as the the lead member of the "Lanco - Globeleq" consortium has submitted its response to Coastal Andhra Power Limited on August 30, 2006 thereby indicating the details of the contact persons to whom all correspondence in this regard would have to be addressed and has attached thereto certain annexures detailing the compliance with the criteria as set out in the RFQ for the Krishnapatnam Power Project.

- **JDA dated May 29, 2006 between Globeleq Singapore and the Company**

  The JDA was entered into between Globeleq Singapore and the Company as a precondition to the RFQ in relation to the Sasan Power Project and towards making the bid for the Sasan Power Project and for entering into a PPA thereafter, subject to the said bid being successful, with the SEBs/ electricity distribution companies/ state electric utilities of Madhya Pradesh, Delhi, Uttaranchal, Uttar Pradesh, Punjab, Haryana, Rajasthan and Chhattisgarh, for the sale of power.

  The JDA records that Globeleq Singapore and the Company would bid as a consortium and Globeleq Singapore would be the lead member of such consortium. Further, it was agreed that both parties would be jointly and severally liable towards the contribution of equity towards the Sasan Power Project. The equity contribution of Globeleq Singapore and the Company would be in the ratio of 70:30 if an SPV is incorporated for the execution of the Sasan Power Project. However, this ratio of financial commitment would not undermine any party's liability hereto and each party would, irrespective of the quantum of its commitment, be jointly and severally liable.

- **JDA dated May 31, 2006 between SNC-Lavalian International Inc ("SNC") and the Company**

  The JDA was entered into between SNC and the Company as a precondition to the RFQ in relation to the Mundhra Power Project and towards making the bid for the Mundhra Power Project and for entering into a PPA thereafter, subject to the said bid being successful, with the SEBs/ electricity distribution companies/ state electric utilities of Gujarat, Maharashtra, Punjab, Haryana, Rajasthan and Uttar Pradesh, for the sale of power.

  The JDA records that SNC and the Company would bid as a consortium and SNC would be the lead member of such consortium. Further, it was agreed that both parties would be jointly and severally liable towards the contribution of equity towards the Mundhra Power Project. The equity contribution of SNC and the Company would be in the ratio of 70:30 if an SPV is incorporated for the execution of the Mundhra Power Project. However, this ratio of financial commitment would not undermine any party's liability hereto and each party would, irrespective of the quantum of its commitment, be jointly and severally liable. For further details, please refer to the section titled "Our Business – Our Power Business – Overview of Business" on page 70 of this Red Herring Prospectus.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have no less than three directors and no more than 12 directors. We currently have 10 directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Sl. No.	Name, Father's/Spouse's Name, Address and Designation, Occupation	Term	Nation-ality	Age (Years)	Other Directorships /Partnerships
1.	**L. Madhusudhan Rao** **Executive Chairman** S/o L.V. Ramanaidu Plot No. 157, Road No. 10 Jubilee Hills Hyderabad – 500 033 Andhra Pradesh India ***Business***	Appointed with effect from April 1, 2006, for a period of five years	Indian	40	**Companies:** 1. Lanco Group Limited; 2. Lanco Global Systems Limited; 3. Lanco Industries Limited; 4. Lanco Net Limited; 5. Lanco Projects Limited; 6. Lanco Property Management Company Private Limited; 7. Pragdisa Power Private Limited; 8. Occidental Power Private Limited; 9. Chamba Hydro Power Private Limited; 10. Chatari Hydro Power Private Limited; 11. Dharamshala Hydro Power Private Limited; 12. Parvat Hydro Power Private Limited; 13. Ravi Hydro Electric Private Limited; 14. Himachal Hydro Power Private Limited; 15. Jubilee Hydro Power Private Limited; 16. Lanco Kondapalli Power Private Limited; 17. Aban Power Company Limited; 18. Lanco Amarkantak Power Private Limited; 19. Lanco Hills Technology Park Private Limited; 20. Lanco Electricity Utility Limited; 21. Lanco Green Power Private Limited; 22. Clarion Power Corporation Limited ; 23. Rithwik Energy Systems Limited; 24. Lanfin Ventures Private Limited; 25. Lanco Energy Private Limited; 26. Lanco Anpara Power Private Limited; 27. Prince Stone Investments Limited; 28. Century Investments Limited; 29. Third Millennium Investments Limited; 30. Island Power Ventures Limited; 31. Pam Corporation Limited; 32. Trade Crown Investments Limited; 33. Vitrual International; 34. Shore Investments; 35. Pacific Power Ventures Limited; and 36. Fremont Ventures Limited **Partnership:** M/s. S.V. Contractors

Sl. No	Name, Father's/Spouse's Name, Address and Designation, Occupation	Term	Nation-ality	Age (Years)	Other Directorships/Partnerships
2.	**G. Bhaskara Rao** **Executive Vice - Chairman** S/o G.V. Ramanaidu Plot No. 42, Type A Road No. 6 Film Nagar Jubilee Hills Hyderabad – 500 033 Andhra Pradesh India ***Business***	Appointed with effect from April 1, 2006 for a period of five years.	Indian	52	**Companies:** 1. Lanco Kondapalli Power Private Limited; 2. Aban Power Company Limited; 3. Lanco Amarkantak Power Private Limited; 4. Lanco Hills Technology Park Private Limited; 5. Lanco Electric Utility Limited; 6. Lanco Green Power Private Limited; 7. Clarion Power Corporation Limited; 8. Rithwik Energy Systems Limited; 9. Lanco Hydro Energies Private Limited; 10. Lanco Energy Private Limited; 11. Vamshi Industrial Power Limited; 12. Lanco Group Limited; 13. Lanco Global Systems Limited; 14. Lanco Industries Limited; 15. Lanco Property Management Company Private Limited; 16. Lanfin Ventures Private Limited; 17. Lanfin Trustee Private Limited; 18. Himavat Power Private Limited; 19. Pragdisa Power Private Limited; 20. Occidental Power Private Limited; 21. Chamba Hydro Power Private Limited; 22. Chatari Hydro Power Private Limited; 23. Dharamshala Hydro Power Private Limited; 24. Diyothal Hydro Power Private Limited; 25. Parvat Hydro Power Private Limited; 26. Ravi Hydro Electric Private Limited; 27. Himachal Hydro Power Private Limited; 28. Garnet Groves Private Limited; 29. Jupiter Infratech Private Limited; 30. Mercury Projects Private Limited; 31. Coral Orchids Private Limited; 32. Emerald Orchids Private Limited; 33. Mercury Project Private Limited; 34. Uranus Infratech Private Limited; 35. Saffire Farms Private Limited; 36. Chobia Hydro Power Private Limited; 37. Lanco Power Transmission Private Limited; and 38. Lanco Anpara Power Private Limited **Partnership:** M/s. S.V. Contractors (Partner)
3.	**L. Sridhar** **Non-Executive Vice-Chairman** S/o L.V. Ramanaidu Plot No. 65, Survey No. 4 & 6 Whisper Valley Hussain Shakali Darga Village Sherilingampally Mandal Ranga Reddy District Andhra Pradesh India ***Business***	Appointed as the Director of the Company on June 10, 2006 and liable to retire by rotation at the next AGM of the Company	Indian	38	**Companies:** 1. Lanco Kondapalli Power Private Limited; 2. Lanco Electric Utility Limited; 3. Lanco Green Power Private Limited; 4. Clarion Power Corporation Limited; 5. Rithwik Energy Systems Limited; 6. Lanco Hydro Power Ventures Private Limited; 7. Neptune Projects Private Limited; 8. Ruby Agro Farms Private Limited; 9. Garnet Agro Estates Private Limited; 10. Diamond Farms Private Limited; 11. Pearl Farms Private Limited;

Sl. No	Name, Father's/Spouse's Name, Address and Designation, Occupation	Term	Nation-ality	Age (Years)	Other Directorships/Partnerships
					12. Lango Group Limited; 13. Lanco Industries Limited; 14. Lanco Projects Limited; 15. Lanfin Trustee Private Limited; 16. Himavat Power Private Limited; 17. Vainateya Power Private Limited; 18. Mehad Hydro Power Private Limited; 19. Ravi Hydro Electric Private Limited; 20. Himachal Hydro Power Private Limited; 21. Garnet Groves Private Limited; 22. Emerald Orchids Private Limited; 23. Uranus Infratech Private Limited; 24. Larsco Entertainment Private Limited; 25. Lanco Power Transmission Power Private Limited; and 26. Lanco Net Limited **Partnerships**: 1. M/s. S.V. Contractors; and 2. M/s. Larsco Estates
4.	**S.C. Duggal** **Director** S/o C.L. Duggal Sector 16A Faridabad Haryana – 121 002 India ***Engineer***	Appointed as the Director of the Company on June 10, 2006 and liable to retire by rotation at the next AGM of the Company	Indian	66	Nil
5.	**G. Venkatesh Babu** **Managing Director** S/o G. Vasudev Plot No.66 & 68, Ashwini Layout Hallmark Hill View, Road No.78 Jubilee Hills Hyderabad - 500 034 ***Service***	Appointed as the Managing Director of the Company at the meeting of its Board held on June 24, 2006 (subject to further approval by the shareholders of the Company)	Indian	37	**Companies:** 1. Lanco Group Limited; 2. Aban Power Company Limited; 3. Lanco Amarkantak Power Private Limited; 4. Lanco Hills Technology Park Private Limited; 5. Clarion Power Corporation Limited; 6. Lanfin Ventures Private Limited; and 7. Rithwik Energy Systems Limited.
6.	**H.N. Sinor** **Additional Director (Independent)** S/o Late Noshirwan P. Sinor 764F, Sarosh Court Tilak Road Dadar Mumbai-400 014 India ***Professional Banker***	Appointed on June 16, 2006 till the next AGM	Indian	61	**Companies:** 1. 3i Infotech Limited; 2. 3I Infotech, Inc; 3. ICICI Lombard General Insurance Company Limited; 4. National Commodity and Derivatives Exchange Limited; 5. National Collateral Management Services Limited; 6. Themis Medicare Limited; 7. Gujarat Alkalies and Chemicals Limited; 8. Tata Investment Corporation Limited; and 9. TML Financial Services Limited.

Sl. No	Name, Father's/Spouse's Name, Address and Designation, Occupation	Term	Nation-ality	Age (Years)	Other Directorships/Partnerships
7.	**P. Abraham** **Additional Director (Independent)** S/o P. Sundaram D-71, Nivedita Kunj Sector – 10, R.K. Puram New Delhi – 110 022 India ***Service***	Appointed on June 16, 2006 till the next AGM	Indian	66	**Companies:** 1. Maharashtra State Power Generation Company Limited; 2. GVK Power and Infrastructure Company Limited; 3. Futura Polyester Limited; 4. FLEX Industries Limited; 5. JSW Energy Limited; 6. Vijay Electricals Limited; 7. Nagarjuna Construction Company Limited; and 8. PTC India Limited.
8.	**Dr. P. Kotaiah** **Additional Director (Independent)** S/o P. Venkaiah 102, Pooja Pride Apartments Plot No. 75, Srinagar Colony Hyderabad – 500 073 Andhra Pradesh India ***Professional Banker***	Appointed on June 16, 2006 till the next AGM	Indian	68	**Companies:** 1. Lanco Kondapalli Power Private Limited; 2. Zen Technologies Limited; 3. Blossom Industries Limited; 4. Krishna Govadari Power Utilities Limited; 5. Andhra Sugars Limited; 6. Natural Bio Energy Limited; 7. AVRA Laboratories Private Limited; 8. Maruthi Hatcheries Limited; and 9. Bank of India **Others:** Chairman, Andhra Pradesh Mahila Abhivrudhi Society, Andhra Pradesh
9.	**P. Narsimharamulu** **Nominee Director, Indian Overseas Bank (Independent)** S/o P.B. Pati Flat No. 402, Grand Residency Apartments, 2nd Lane, Sai Enclave Colony, Near SBH ATM, Habsiguda, Hyderabad – 500 007 Andhra Pradesh India ***Chartered Accountant***	Appointed on June 16, 2006 till the next AGM	Indian	60	**Companies:** 1. Vijai Electricals Limited;and 2. Jayavenkatrama Industries Limited
10.	**Dr. Uddesh Kumar Kohli** **Additional Director (Independent)** S/o Late Gokal Chand Kohli S 50, Greater Kailash - I New Delhi – 110 048 India ***Service***	Appointed on June 16, 2006 till the next AGM	Indian	65	**Companies:** 1. CybizCall International Limited; 2. ICRA Limited; 3. National Research Development Corporation Limited; 4. National Mineral Development Corporation Limited; 5. J & K Minerals Development Corporation; and 6. Alstom Projects India Limited **Others:** Systems Consultants (Sole Proprietorship)

Brief Biographies of our Directors

L. Madhusudhan Rao, Executive Chairman, is the Chairman of the Lanco Group of Companies and a Promoter of the Company with over 17 years of industrial and entrepreneurial experience. He has been associated with the Lanco Group of Companies for the past 12 years during which period he was instrumental in developing our projects from their conception to their commissioning. He has significant experience in the operation of power projects, infrastructure projects, pig iron projects and ductile iron pipes projects. He has an M. Tech (Mechanical Design) degree and an M.S. (Industrial Engineering) degree. His previous employment assignments include Meadours Products, Michigan Wagganer Brighten Corporation and Exotic Rubber & Plastics, all of which are companies incorporated in the USA.

G. Bhaskara Rao, Executive Vice Chairman, is the Vice Chairman of the Company. He is one of our founder directors and a Promoter of the Company with over 25 years of industrial and entrepreneurial experience. He has executed various construction projects including dams, bridges and roads and was instrumental in organising and implementing the ductile iron pipes manufacturing project by Lanco Kalahasti 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.

L. Sridhar, Non-Executive Vice Chairman, is a Promoter of the Company with over 14 years of industrial and entrepreneurial experience with the Lanco Group of Companies. Prior to being appointed as the Non-Executive Vice Chairman, he was the Managing Director of the Company till August 18, 2003. He has executed various construction and infrastructure projects undertaken by the Company. He has a B.E. (Civil Engineering) degree and an M.S. (Construction Management in Civil Engineering) degree from Eastern Michigan University, United States.

G. Venkatesh Babu is the Managing Director of the Company with over 14 years of experience in the financial sector including commercial banking, mergers and acquisitions and project finance. He is a member of our strategy team and focusses on strategic partnerships and growth initiatives. He has been extensively involved in the financing of the projects of the Lanco Group and overseeing the human resources management of the Company. His previous employment assignments include TNT Post (a Dutch logistics company), Indbank Merchant Banking Services, Credit Agricole Indosuez Bank and WI Carr Securities. G. Venkatesh Babu is a Chartered Accountant and a Cost Accountant and holds a Bachelor of Commerce degree from the Madras Christian College.

S.C. Duggal, Director of the Company, has over 45 years of industrial experience. His past appointments include Chairman and Managing Director of Engineering Project of India Limited, Managing Director of Richardson and Cruddas and General Manager, BHEL. He holds a B.Sc. Engg. (Mech.) degree.

H.N. Sinor, an independent Director on our Board has over 40 years of experience in the banking sector and has had the exposure of working with banks, both in the public sector as well as the private sector. He was an executive director of Central Bank and the joint managing director of ICICI Bank Limited. He has worked on various committees of the RBI, Indian Banks Association and the Confederation of Indian Industry. He is a graduate in commerce and law.

P. Abraham, an independent Director on our Board, is a retired officer from the Indian Administrative Services (1962 batch). He completed his M.A degree 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 Organisation 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 a focus on distribution in 2003.

Dr. P. Kotaiah, an independent Director on our Board, is a gold medallist in M.A from Andhra University in Mathematical Economics and Agricultural Economics. He is a professionally qualified 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, Dr. Kotaiah 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 Organisation 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.

P. Narasimharamulu, an independent Director on our Board, is a Chartered Accountant by profession. 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.

Dr. Uddesh Kumar Kohli, an independent Director on our Board, 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 specialised 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 Organisation, 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.

Remuneration of our Executive Directors:

1. **L. Madhusudhan Rao, Executive Chairman:**

   L. Madhusudhan Rao was appointed as the Executive Chairman of our Company with effect from April 1, 2006 for a period of five years. In terms of the resolution of the shareholders of our Company passed at an EGM dated April 24, 2006, the details of his remuneration are as under:

Salary	Rs. 600,000 per month
Perquisites	Facilities of car, telephone and other communication facilities at his residence for use business of the Company. No sitting fees for attending any meetings of the Board or committees thereof would be payable.

2. **G. Bhaskar Rao, Executive Vice Chairman:**

   G. Bhaskar Rao was appointed as the Executive Vice Chairman of our Company with effect from April 1, 2006 for a period of five years. In terms of the resolution of the shareholders of our Company passed at an EGM dated April 24, 2006, the details of his remuneration are as under:

Salary	Rs. 600,000 per month
Perquisites	Facilities of car, telephone and other communication facilities at his residence for use business of the Company. No sitting fees for attending any meetings of the Board or committees thereof would be payable.

3. **G. Venkatesh Babu, Managing Director:**

   G. Venkatesh Babu was appointed as the Managing Director of the Company at the meeting of its Board held on June 24, 2006 and the same is pending approval by the shareholders of the Company.

   Prior to the same, G. Venkatesh Babu was the Joint Managing Director of our Company and in terms of the resolution of the shareholders of our Company passed at an EGM dated April 24, 2006, the details of his remuneration as the Joint Manging Director were as under:

Salary	Rs. 350,000 per month
Perquisites	House rent allowance, reimbursement of medical expenditure for self and family, leave travel concession to a maximum of Rs. 150,000 and the facilities of car, telephone and other communication facilities at his residence for use for the business of the Company. No sitting fees for attending any meetings of the Board or committees thereof would be payable.

As per the resolution of the Board dated June 24, 2006, the terms of his remuneration are the same as what he was formerly entitled to as the Joint Managing Director of our Company.

Details of Borrowing Powers of Our Directors

The Board of Directors, through a resolution pursuant to Section 293(1)(d) of the Companies Act passed at the EGM of the Company held on May 18, 2006 had approved and delegated powers to the Board for borrowing up to a sum of Rs. 30,000 million apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business notwithstanding that such borrowings may exceed the aggregate of the paid-up share capital and free reserves of the Company.

Payment or benefit to directors/ officers of our Company

Except as stated in this section titled "Our Management" beginning on page 133 of this Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Apart from the remuneration of certain of our Directors as stipulated in the section titled "Our Management – Remuneration of Our Executive Directors" on page 138 of this Red Herring Prospectus above, our Directors are entitled to be paid a sitting fee up to the limits prescribed by the Companies Act and the rules made thereunder and actual travel, boarding and lodging expenses for attending the Board or committee meetings. They may also be paid commissions and any other amounts as may be decided by the Board in accordance with the provisions of the Articles, the Companies Act and any other applicable Indian laws and regulations.

Except as indicated above, each Director is eligible for sitting fees of Rs.20,000 for each Board meeting that he attends and Rs.20,000 for each meeting of a committee of the Board.

Further, no benefits are payable upon the termination of the services of a Director.

Corporate Governance

We have complied with the SEBI Guidelines with respect to corporate governance especially with respect to broad basing of our Board, constituting committees such as Shareholders/ Investors Grievance Committee etc. Further, the provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We have complied with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the Investor Grievances Committee. We have also adopted the Corporate Governance Code in accordance with Clause 49 of the listing agreements to be entered into with the Stock Exchanges prior to listing.

Audit Committee

The Audit Committee was re-constituted by the Board of Directors at its meeting held on June 16, 2006. The Audit Committee comprises of P. Kotaiah , Additional Director (Independent) as the Chairman and Dr. Uddesh Kumar Kohli, Additional Director (Independent), P. Narsimharamulu, Nominee Director, Indian Overseas Bank (Independent) and G. Bhaskara Rao, Executive Vice-Chairman. The Company Secretary C. Krishnakumar will act as the secretary to the Audit Committee.

The scope and functions of the Audit Committee include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that such financial statements are correct, adequate and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    a. Matters required to be included in the Director's Responsibly Statement to be included in the report of the Board of Directors' in terms of sub-section (2AA) of Section 217 of the Companies Act;.
    b. Changes, if any, in accounting policies and practices and reasons for the same;
    c. Major accounting entries involving estimates based on exercise of judgment by the management of the Company;
    d. Significant adjustments made in the financial statements of the Company arising out of audit findings;
    e. Compliance with listing and other legal requirements relating to financial statements;
    f. Disclosure of any related party transactions; and
    g. Qualifications in the draft audit report.

5. Reviewing the quarterly financial statements with the management of the Company before submission to the Board for its approval.
6. Reviewing the performance of statutory and internal auditors and the adequacy of internal control systems with the management.
7. Discussion with internal auditors regarding any significant findings and follow up thereon.
8. To review the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.

Remuneration Committee

The Remuneration Committee was constituted by the Board of Directors at its meeting held on June 16, 2006. The Remuneration Committee comprises of P. Narsimharamulu, Nominee Director, Indian Overseas Bank (Independent) as the Chairman and P. Kotaiah, Additional Director (Independent) and H.N. Sinor, Additional Director (Independent).

The scope and functions of the Remuneration Committee are to approve the remuneration payable to the executive as well as the non-executive Directors of the Company.

Shareholders/Investors Grievance Committee

The Shareholders/Investors Grievance Committee was constituted by the Board of Directors in its meeting held on June 16, 2006. The Shareholders/Investors Grievance Committee comprises of L. Sridhar, Non-Executive Vice-Chairman (the Chairman), S.C. Duggal, Director and G. Venkatesh Babu, Managing Director.

The scope and functions of the Shareholders/Investors Grievance Committee include redressal of shareholders' complaints, approvals of share transfers and transmissions, issue of share certificates and duplicate share certificates and liaising with the registrars and share transfer agents of the Company towards this end.

Compensation Committee

The Compensation Committee was constituted by the Board of Directors at its meeting held on June 16, 2006 and comprises Dr. P. Kotaiah (Chairman), P. Narasimharamulu, Director and G. Bhaskar Rao, Executive Vice-Chairman. The Compensation Committee was constituted for administering our ESOS Scheme.

Shareholding of Our Directors

S. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding
1.	G. Bhaskara Rao	5,705,640	3.21
2.	L. Madhusudhan Rao	5,477,580	3.08
3.	L. Sridhar	5,470,632	3.08

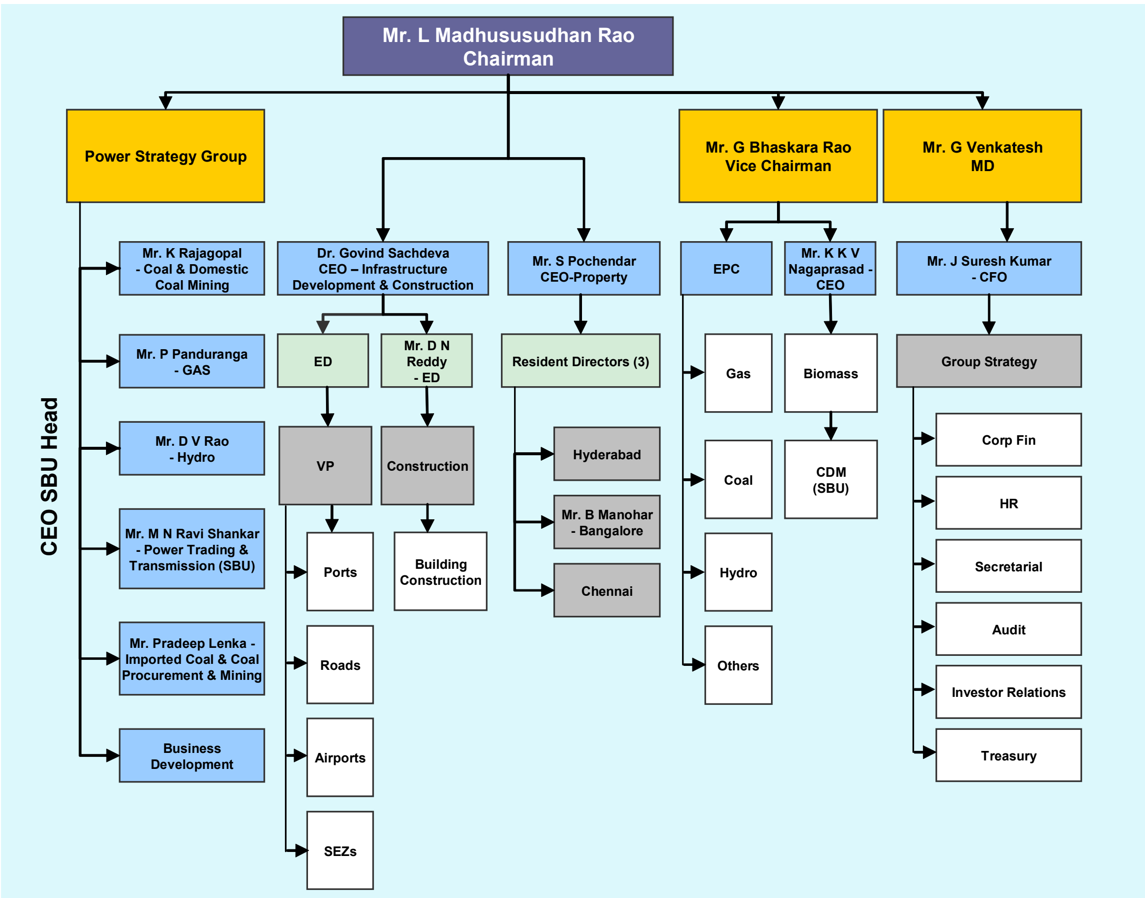
Except as provided above, no other Directors hold any shares in the share capital of our Company.

Changes in Our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation / Change	Reason for Change
G. Venkatesh Babu	June 24, 2006	-	Appointed as the Managing Director
	April 1, 2006	-	Appointed as Joint Managing Director
	June 27, 2005	-	Appointed
L. Sridhar	-	August 18, 2003	Resignation as the Managing Director
	August 18, 2003	-	Appointed as non-executive vice-chairman
S.C. Duggal	June 10, 2006	-	Appointment
S.C. Duggal	-	March 31, 2006	Resignation as the wholetime director
P. Narsimharamulu	June 16, 2006	-	Appointment
Dr. P. Kotaiah	June 16, 2006	-	Appointment

Name	Date of Appointment	Date of Cessation / Change	Reason for Change
Dr. Uddesh Kumar Kohli	June 16, 2006	-	Appointment
P. Abraham	June 16, 2006	-	Appointment
H.N. Sinor	June 16, 2006	-	Appointment
L. Madhusudhan Rao	April 1, 2006	-	Appointed as Executive Chairman
G. Bhaskara Rao	April 1, 2006	-	Appointed as Executive Vice Chairman
G. Pichi Reddy	March 26,1993	August 18, 2003	Resigned
M. Gopalakrishna	December 23, 2002	September 6, 2003	Withdrawal of nomination by financial institution nominating him
Y. Harish Chandra Prasad	June 27, 2005	December 19, 2005	Resigned
T. V. Krishna	January 17, 2004	March 6, 2006	Resigned
D. N. Reddy	October 19, 2005	April 1, 2006	Resigned

Organisational Structure



(1) *Power Strategy Group comprises of L. Madhusudhan Rao, G. Bhaskara Rao, G. Venkatesh Babu, P. Panduranga Rao, D.V. Rao. K. Rajagopal, Pradeep Lenka, K.K.V. Nagaprasad, M.N. Ravishankar and J. Suresh Kumar.*

Our Key Managerial Personnel

Key Managerial Personnel of the Company

L. Madhusudhan Rao - Executive Chairman

G. Bhaskara Rao – Executive Vice-Chairman

G. Venkatesh Babu - Managing Director

For further details about the aforementioned Key Managerial Personnel, please refer to the section titled "Our Management - Brief Biographies of our Directors" and "Our Management - Payment or benefit to directors/ officers of our Company" appearing on pages 137 and 139 respectively of this Red Herring Prospectus.

J. Suresh Kumar, aged 37 years, is the Chief Financial Officer of the Company and joined us on April 1, 2006. He is a chartered accountant with over 14 years experience in the financial services sector including mergers and acquisitions, corporate restructuring, fund raising, business development and business strategy. He was earlier employed with JM Morgan Stanley, India as a Senior Vice President.

D.N. Reddy, aged 48, is the executive director (Operations) of the Company. He has a B.Tech (Civil) from the Regional Engineering College in Warangal, Andhra Pradesh and over 22 years of experience in the industrial and non-industrial heavy civil engineering projects including the implementation of electro-mechanical works. He joined us on July 22, 1995 and was previously employed with the Dairy Development Board. He has also gained experience in planning, execution, monitoring, budgetary cost control, quantity survey, technical auditing, tendering and procurement and implementation of World Bank aided projects in the areas of dairy and edible oil from their conception to commissioning. D.N. Reddy has also handled projects relating to mass housing, institutional facilities, public health engineering and roads and bridges and is responsible for expanding our client base, tendering and price negotiations, project programming, scheduling and commissioning. For the fiscal year ended March 31, 2006, the total remuneration (including perquisites) that he received was Rs. 2.14 million.

Pradeep Kumar Lenka, aged 50 years, is the Chief Executive Officer – Thermal, of the Company. He has a B.E degree and has obtained an MBA degree from the Indian Institute of Management, Bangalore. He joined us on June 23, 2006 and has over 26 years of experience in the generation, transmission and trading of power and has been involved in the development and execution of power plants. His previous employment assignments include the GMR group of companies (as a senior vice-president), Sterlite Industries (vice president, power and aluminium) and BHEL (senior manager). In the course of his previous employments, he was involved in the execution of more than 15 projects that involved coal-based projects, oil-based projects and gas-based projects with capacities between 16 MW and 500 MW.

Dr. Govind Sachdev, aged 58 years, is the Chief Executive Officer, Infrastructure Development Business. He holds a B.E degree, a post graduate diploma degree in business management, a post graduate diploma degree in marketing and sales management, a masters in contract management and a doctorate in Construction Contract Analysis and Contract Administration (International Competitive Bidding with special reference to FIDIC). He joined us on June 19, 2006 and has over 38 years of experience in handling (both in India and overseas) large value multi-disciplinary EPC projects in the fields of industrial, power, property development, infrastructure sectors. He is a registered consultant with various multilateral institutions including the World Bank, the Asian Development Bank, the United Nations Centre for Human Settlements and the International Labour Organization and national agencies like the Ministry for Programme Implementation and Ministry for Science and Technology. He is a member/fellow of various industry organizations and visiting faculty for certain management and engineering institutes/ colleges. His past employment assignments include Essar Group (Senior Vice President, Highways and Expressways), National Institute of Construction Management and Research (Director), Ansal Properties and Industries Limited (director) and Holzmann Videocon Engineers Limited (Director).

V. Srinivas, aged 46 years, is the director - Corporate Affairs of the Company. He holds a B.A. Degree and an MBA (Marketing) Degree from the Pune University. He has been associated with us since February 6, 2004 and he joined the Company on April 1, 2006. His previous employment assignments include newspapers like Andhra Jyothi and Udayam and television channels like Gemini Television. He has over two decades of experience in the print and electronic media, having started his career in the software industry.

All the aforementioned Key Managerial Personnel are permanent employees of the Company.

Key Managerial Personnel of the Subsidiaries

P. Panduranga Rao, aged 50 years, is the SBU Head-Gas is a director and chief executive officer of Lanco Kondapalli and Aban. He is a chartered accountant with over 21 years of experience in finance, administration and project implementation in various companies. He has been associated with us since September 16, 2002 and prior to joining us he was employed with Allwyn, Hyderabad. He has been associated with the project management, construction and the Lanco Kondapalli Power Plant and the Chitradurga Power Plant. He was earlier employed with Allwyn at Hyderabad and was instrumental in the expansion and the diversification of its watch and refrigeration business.

K. Rajagopal, aged 49 years, is the SBU Head – Coal, is the director of Lanco Amarkantak and joined us on July 1, 2004. He holds an M.E. (Electrical Engineering) degree and an MBA degree in finance and has 22 years of experience in project development and various functional disciplines of the manufacturing and the power industry. Prior to joining us he was employed with LVS Power for whom he successfully implemented a 36.8 MW diesel power plant at Visakhapatnam without any time or cost overrun.

D.V. Rao, aged 41 years, is the SBU Head – Hydro, is a director and the chief executive officer of Lanco Green and the director of Clarion. He joined us on December 6, 1996. He is a graduate in Mechanical Engineering and has over 17 years of experience in project implementation, engineering and consultancy services and international marketing. He has worked in Lanco Kalahasti Castings Limited and Lanco Industries Limited in various capacities. His previous employments include Tata Korf Engineering Services and Coromandal Fertilizers. He was instrumental in implementing projects for Lanco Industries Limited including the 42,000 tones per annum foundry project and the 60,000 TPA ductile/cast iron spun pipe project at Kalahasti, Andhra Pradesh and the Clarion Power Plant.

M. N. Ravi Shankar, aged 40 years, is the SBU Head – Power Trading, is an executive director of LEUL and joined us on December 14, 2005. He is a Fellow Member of the Institute of Cost and Works Accountants of India and a Certified Associate of Indian Institute of Bankers, Mumbai. He has over 15 years of experience in finance, banking and power tariff-related activities. Prior to joining us, he was employed with APERC. He has travelled widely, delivering lectures on financial management, reforms and regulations in the power sector. He is responsible for developing strategies for us to carry out trading, transmission, distribution and other power-related activities. He is also in-charge of structuring the power information systems for Lanco Group.

K.K.V. Nagaprasad, aged 36 years, is the SBU Head - Biomass and Carbon Trading, is a director and the chief executive officer of Rithwik and Clarion and joined us on November 14, 2005. He holds a bachelors degree in Mechanical Engineering and a Masters Degree in Engineering with a specialisation in Energy and Systems. He has handled numerous consulting assignments and large outsourcing engagements for global organisations in the areas of IT strategy, ERP, enterprise applications and business intelligence solutions. Earlier in his career, Prasad handled consulting assignments in merchant banking and financial services. Prior to joining us he was employed with Satyam Computers, Hyderabad.

S. Pochendar, aged 45 years, is the chief executive officer of Lanco Hills and joined us on April 26, 2006. He holds an M. Tech. (Environmental Engineering) degree, an B. Tech (Civil Engineering) degree and an LCE (Civil Engineering) degree. He has over 26 years of experience as an engineer and his previous employment assignments include employment with IVRCL (where he was responsible for certain activities including managing works all over the country and business development), Shalivahana Constructions (as a general manager), Hyderabad Metropolitan Water Supply and Sewerage Board (as an assistant executive engineer) and Central Public Works Department (as a junior engineer).

V.P.S. Chauhan, aged 48 years, is an executive director on the board of directors of LGPPL and joined us on April 6, 2006. He is a professionally qualified civil engineer, has obtained a postgraduate degree in Structural Engineering and a Diploma in Management. He has over 23 years of experience in implementing hydro-electric power projects from their conception to commissioning and has been entrusted with the responsibility of implementing hydro-electric power projects for Lanco Group. Prior to joining us he was employed with the National Hydro Power Corporation, a GoI enterprise.

Shishir Kant, aged 55 years, is the director of Business Development for LAPPL and joined us on May 9, 2006. He has completed his graduation in Mechanical Engineering from the Rural Electrification Commission and has over 30 years of experience in the power sector. Prior to his employment, he was heading his own consultancy prior to which he was employed by GVK Power.

Rakesh Gupta, aged 56 years, is an executive director on the board of LKPPL and joined us on July 1, 2006. He is a professionally qualified engineer and obtained the MBA Degree in Finance. He has over 32 years of experience in the overall management of power projects which includes overseeing their technical, legal, commercial and financing aspects. His previous employment assignments include PFC, the National Thermal Power Corporation and China Light and Power.

Interest of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated in the section titled "Related Party Transactions" on page 221 of this Red Herring Prospectus, and to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business. Further, please refer to the section titled "Our Promoter - Interests of Promoters and Common Pursuits" on page 149 of this Red Herring Prospectus.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or discharged or in connection with any application under relevant provisions of the Companies Act in which relief is given to them by the relevant court.

Our Articles provide that where our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors any loss in respect of such liability.

On June 7, 2006, our shareholders approved our ESOS whereunder certain of our Directors also received options for our Equity Shares. For further details, please refer to Note 21 to the section titled "Capital Structure – Notes to Capital Structure" on page 17 of this Red Herring Prospectus.

Changes in our Key Managerial Employees in the Last Three Years

In addition to the changes detailed in the section titled "Our Management - Changes in Our Board of Directors during the last three years" on page 140 of this Red Herring Prospectus, the changes in our key managerial personnel in the last three years are as follows:

Name	Date of becoming key managerial personnel	Date of cessation	Reason for change
T.V. Krishna	January 17, 2004	March 6, 2006	Resignation
K. Rajagopal	July 1, 2004	-	Appointment
Rakesh Gupta	July 1, 2006	-	Appointment
J. Suresh Kumar	April 1, 2006	-	Appointment
Shishir Kant	May 9, 2006	-	Appointment
V.P.S Chauhan	April 6, 2006	-	Appointment
V. Srinivas	February 6, 2006	-	Appointment
S. Pochender	April 26, 2006	-	Appointment
K.K.V. Nagaprasad	November 14, 2005	-	Appointment
M.N Ravi Shankar	December 14, 2005	-	Appointment
Pradeep Kumar Lenka	June 23, 2006	-	Appointment
Dr. Govind Sachdev	June 19, 2006	-	Appointment
V. Srinivas	April 1, 2006	-	Appointment

Other than the above changes, there have been no changes to the Key Managerial Personnel of the Company that are not in the normal course of employment.

Shareholding of Key Managerial Personnel in our Company

None of our Key Managerial Personnel who hold Equity Shares in the Company, other than as follows:

S. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding
1.	G. Bhaskara Rao	5,705,640	3.21
2.	L. Madhusudhan Rao	5,477,580	3.08

Further, on June 7, 2006, our shareholders approved our ESOS whereunder certain of our Key Managerial Personnel also received options for our Equity Shares. For further details, please refer to Note 21 to the section titled "Capital Structure – Notes to Capital Structure" on page17 of this Red Herring Prospectus.

Bonus or Profit Sharing Plan of our Key Managerial Personnel

There is no bonus or profit sharing plan of our Key Managerial Personnel.

Employee Stock Option Scheme

On June 7, 2006, our shareholders approved our ESOS to be implemented through the ESOP Trust. In accordance therewith, a further allotment of 5,012,064 equity shares of Rs. 5 was made to the ESOS Trust. On June 26, 2006, 99,600 options were granted to identified employees which entitled them to acquire Equity Shares at Rs. 3.65 per equity share at future dates. Following the consolidation of our share capital on July 30, 2006 and the subsequent bonus issue on the same date, the ESOS Trust now holds 11,118,096 Equity Shares and 149,400 options thereof stand granted which entitles identified employees to acquire the equity shares at a price of Rs. 2.43 per equity share at a future date. For further details, please refer to Note 21 to the section titled "Capital Structure – Notes to Capital Structure" on page 17 of this Red Herring Prospectus.

OUR PROMOTERS

Individuals

L. Madhusudhan Rao, 40, is a Promoter of our Company. For more details refer to section titled "Our Management - Brief Biographies of our Directors" on page 137 of this Red Herring Prospectus.

His Driving License Number is DLFAP00790892006. His PAN Number is ABCPL8904D.

He does not possess a Voter ID.

G. Bhaskara Rao, 52, is a Promoter of our Company. For more details refer to section titled "Our Management - Brief Biographies of our Directors" on page 137 of this Red Herring Prospectus.

His Driving License Number is 10/SD/97 2241/84. His PAN Number is AEEPG7810G.

He does not possess a Voter ID.

L. Sridhar, 38, is a Promoter of our Company. For more details refer to section titled "Our Management - Brief Biographies of our Directors" on page 137 of this Red Herring Prospectus.

His Driving License Number is 00121/1/200204. His PAN Number is AAXPL1040N.

He does not possess a Voter ID.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the BSE and NSE at the time of filing the Red Herring Prospectus with these Stock Exchanges.

L. Madhusudhan and L. Sridhar are brothers and G. Bhaskar Rao is their brother-in-law. For further details, please refer to the section titled "Our Promoters- Promoter Group - Individuals" on page 150 of this Red Herring Prospectus.

For further details of the shareholding of these individuals in the Company, please refer to notes 3 and 4 to the sections titled "Capital Structure – Notes to Capital Structure" on page 16 and 17 respectively of this Red Herring Prospectus.

The aforesaid persons also hold shares in some of the other group companies as detailed in the sections titled "Our Promoters - Promoter Group" and "Our Subsidiaries and Associates" beginning on pages 150 and 199 respectively of this Red Herring Prospectus.

Body Corporates

Prince Stone Investments Limited

Prince Stone was incorporated in the Republic of Mauritius on October 7, 2003 with its registered office at 5, Duke of Edinburgh Avenue, Port Louis, Mauritius. It was established to engage in qualified global business as permitted under the Financial Services Development Act, 2001 of the Republic of Mauritius. Since its incorporation, Prince Stone has no operations.

Shareholding Pattern as of October 9, 2006

Management Shares

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55.00
2.	Pam Corporation Limited	450	45.00
	Total	**1,000**	**100.00**

Voting Shares

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55.00
2.	Pam Corporation Limited	450	45.00
	Total	**1,000**	**100.00**

Non-Voting Shares

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Trade Crown Investment Limited	483,250	52.43
2.	Pam Corporation Limited	438,400	47.57
	Total	**921,650**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	Tanya Sek Sum	Director
2.	Fortuna Lamport	Director
3.	L. Madhusudhan Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(*USD in millions*)

Particulars	For the fiscal year ended December 31, 2004	For the year ended December 31, 2005
Sales & Other Income	NIL	0.01
PAT	(0.01)	(0.01)
Equity Capital	9.24	9.24
Reserves*	(0.01)	(0.02)
EPS (in USD)	(0.01)	(0.01)
Book Value (in USD)	9.99	9.98

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Promoter of Prince Stone

The promoter of Prince Stone is L. Madhusudhan Rao. For further information about him, please refer to the sections titled "Our Management – Brief Biographies of our Directors" and "Our Promoters – Individuals - L. Madhusudhan Rao" on pages 137 and 146 respectively of this Red Herring Prospectus. For further details of Pam Corporation Limited, please refer to the section titled "Our Promoters – Bodies Corporate – Pam Corporation Limited" on page 151 of this Red Herring Prospectus. for details.

From the time of its incorporation, there has been no change in the management of Prince Stone and the controlling shareholder continues to be L. Madhusudhan Rao.

Prince Stone is an entity that is registered under the laws of Mauritius. Accordingly, the equivalent of its Permanent Account Number, Company Registration Number and the address of the authority with which Prince Stone is registered, as may be applicable will be submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with them.

Lanco Group Limited

The company was originally incorporated as "Lanco Group Services Limited" on December 27, 2002 and has its registered office at 141, Lanco House, Avenue 8, Banjara Hills, Hyderabad - 500 034. The name of the company was changed to "Lanco Group Limited" as of August 31, 2004. The company carries on the business of providing management services, consulting, advisory services, technical and engineering operations, maintenance services, financial services, marketing and personnel services to Promoter Group companies.

Shareholding pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Rajagopal	1,965,542	1.14
2.	L. Madhusudhan Rao	4,029,050	2.33
3.	L. Sridhar	2,054,458	1.19
4.	G. Bhaskara Rao	2,058,091	1.19
5.	L. Padma	5,083	0.00
6.	G. Padmavathi	11,325	0.01
7.	L. Raja Lakshmi	6,000	0.00
8.	Prince Stone	9,171,371	5.31
9.	TMIL	92,922,894	53.78
10.	Century Investments Limited	29,142,197	16.87
11.	Island Power Ventures Limited	31,416,786	18.18
12.	L. Sirisha	4,083	0.00
	Total	**172,786,880**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director
4.	G. Venkatesh Babu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	27.80	55.75	47.09
PAT	1.87	8.49	4.85
Equity Capital	0.50	62.05	84.25
Reserves *	1.65	10.15	15.03
EPS (Rs.)	37.30	1.37	0.58
Book Value (Rs.)	42.91	11.64	11.78

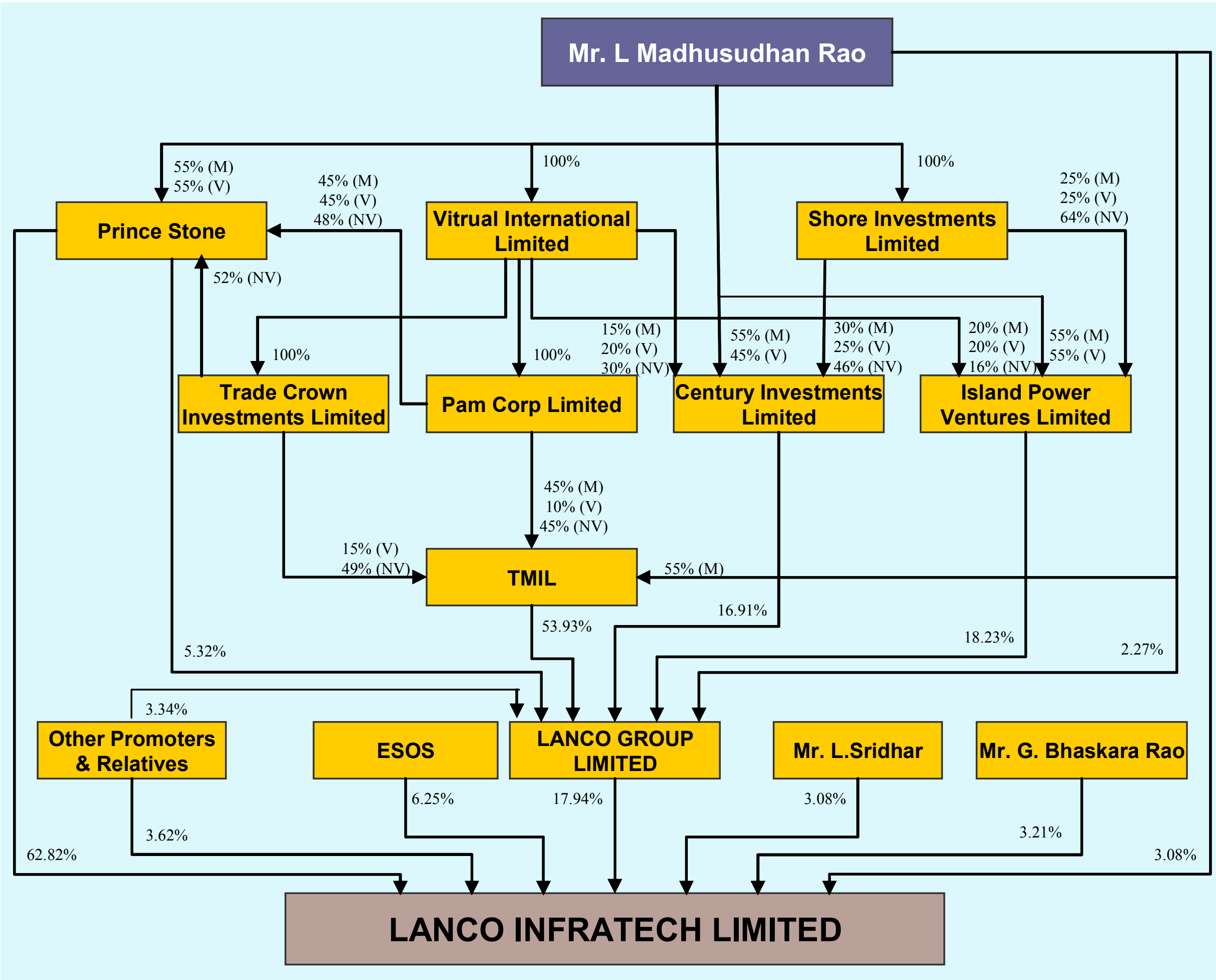
* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Promoters of Lanco Group Limited

The promoters of LGL are L. Madhusudhan Rao, L. Sridhar, G. Bhaskara Rao, TMIL, Century Investments Limited and Island Power Ventures Limited. For further information about them, please refer to the sections titled "Our Management – Brief Biographies of our Directors", "Our Promoters - Individuals" and "Our Promoters – Promoter Group – Body Corporates" beginning on pages 137, 146 and 150 respectively of this Red Herring Prospectus. Further, in relation to further details of LGL, please refer to the section titled "Our Promoters – Bodies Corporate – Lanco Group Limited" on page 150 of this Red Herring Prospectus.

From the time of its incorporation, there has been no change in the management of LGL and the controlling shareholders continue to be L. Madhusudhan Rao, L. Sridhar and G. Bhaskara Rao.

The Permanent Account Number, Company Registration Number and the address of the RoC with which LGL is registered has been submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with them.



Interests of Promoters and Common Pursuits

The aforementioned Promoters of the Company are interested to the extent of their shareholding in the Company. Further, the individual Promoters who are also the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. All our Promoter Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, some of our Promoter Directors are also directors on the boards of certain Subsidiaries and Promoter Group companies and they may be deemed to be interested to the extent of the payments made by the Company, if any, to these Subsidiaries/

Promoter Group companies. For a list of such Promoters who are the directors of our Subsidiaries or Promoter Group companies, please refer to the sections titled "Our Promoters - Promoter Group" and "Our Subsidiaries and Associates" beginning on pages 150 and 199 respectively of this Red Herring Prospectus. For the payments that are made by our Company to certain Subsidiaries or Promoter Group companies, please refer to the section titled "Related Party Transactions" on page 221 of this Red Herring Prospectus.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business.

Further, except as disclosed in the sections titled "Our Promoters - Promoter Group"," Our Subsidiaries and Associates" and "Related Party Transactions" beginning on pages 150, 199 and 221 respectively of this Red Herring Prospectus, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Promoter Group

Individuals

Relatives of the Promoters, who currently hold Equity Shares in the Company are:

Sl. No.	Name	Relationship
1.	L. Rajagopal*	Brother of L. Madhusudhan Rao and L. Sridhar
2.	L. Padma	Wife of L. Rajagopal
3.	G. Padmavathi	Wife of G. Bhaskar Rao
4.	L. Venkata Ramanaidu	Father of L. Madhusudhan Rao and L. Sridhar
5.	L. Rama Lakshamamma	Mother of L. Madhusudhan Rao and L. Sridhar

* *L. Rajagopal was the founder director and promoter of the LITL (and certain other entities of the Lanco Group) and also subscribed to the Memorandum and Articles of Association of LITL. He tendered his resignation as a director and disassociated as a promoter of LITL (and the aforementioned entities of the Lanco Group) with effect from February 5, 2003. His resignation letter dated February 5, 2003 mentioned that this resignation was owing to his intention to devote himself entirely to public life and therefore to renounce his association with all businesses. For details of litigation against L. Rajagopal, please refer to the section titled "Outstanding Litigation and Defaults – D. Promoter Group" on page 253 of this Red Herring Prospectus.*

Body Corporates

The Promoter Group of the Company consists of the following companies/partnerships:

1. Lanco Global Systems Limited
2. Lanco Industries Limited
3. Lanco Net Limited
4. Lanco Projects Limited
5. Lanco Property Management Company Private Limited
6. Lanpro Trustee Company Private Limited
7. Lanfin Ventures Private Limited
8. Lanfin Trustee Private Limited
9. Himavat Power Private Limited
10. Pragdisa Power Private Limited
11. Occidental Power Private Limited
12. Vainateya Power Private Limited
13. Chamba Hydro Power Private Limited
14. Chatari Hydro Power Private Limited

15. Dharamshala Hydro Power Private Limited
16. Diyothal Hydro Power Private Limited
17. Mehad Hydro Power Private Limited
18. Parvat Hydro Power Private Limited
19. Chobia Hydro Power Private Limited
20. Ravi Hydro Electric Private Limited
21. Himachal Hydro Power Private Limited
22. Jubilee Hydro Power Private Limited
23. Garnet Groves Private Limited
24. Jupiter Infratech Private Limited
25. Mercury Projects Private Limited
26. Coral Orchids Private Limited
27. Emerald Orchids Private Limited
28. Uranus Properties Private Limited
29. Uranus Infratech Private Limited
30. LARSCO Entertainment Private Limited
31. D.R.S Resorts Private Limited
32. Venu Agro Farms Private Limited
33. Bhaskar Biotech Private Limited
34. Siri Agrotech Private Limited
35. Siri Groves Private Limited
36. GVRN Agro Estates Private Limited
37. Bhaskar Orchids Private Limited
38. Bhaskar Agro Farms Private Limited
39. GVRN Groves Private Limited
40. GVRN Orchids Private Limited
41. GVRN Farms and Real Estates Private Limited
42. Saffire Farms Private Limited
43. Siri Orchids Private Limited
44. Venu Orchids Private Limited
45. Century Investments Limited
46. Third Millennium Investments Limited
47. Island Power Ventures Limited
48. Pam Corporation Limited
49. Trade Crown Investment Limited
50. Vitrual International Limited
51. Shore Investments Limited
52. Pacific Power Ventures Limited
53. Fremont Ventures Limited
54. M/s S.V. Contractors
55. Lanco Institute of General Humanitarian Trust
56. M/s. Larsco Estates
57. Lanco Anpara Power Private Limited
58. Lanco Power Transmission Private Limited

Apart from what has been disclosed in this section, there are no other companies/partnerships/entities that form part of our Promoter Group or that have been promoted by our Promoters.

None of the companies listed hereunder, except Lanco Industries Limited and Lanco Global Systems Limited, are listed on any stock exchange in India. Further, none of the Promoter Group entities listed hereunder have been termed as sick companies under the SICA and there are no winding up proceedings against any of such companies. Further, in relation to the losses incurred by certain entities forming part of our Promoter Group for the last three years , please refer to the section titled "Risk Factors - Certain of our Promoter Group companies have incurred losses in the last three years" on page xxvii of this Red Herring Prospectus.

The financial information included in this section from pages 146 to 197 have been derived from the statutory audited financial statements of the respective companies, and the statutory auditor of the Company, Price Waterhouse, is not the auditor for these companies.

Details of the companies where the Promoters have disassociated in last three years

The following are the details of companies forming part of the Promoter Group from which our Promoters have disassociated themselves in the last three years as indicated below:

1. ***L. Madhusudhan Rao***

Sl. No.	Name of the Promoter Group Company	Date of Disassociation	Reason for Disassociation
1.	LHEPL	June 14, 2006	Resigned from the board of directors

2. ***G. Bhaskar Rao***

Sl. No.	Name of the Promoter Group Company	Date of Disassociation	Reason for Disassociation
1.	GVRN Agro Estates Private Limited	March 29, 2006	Resigned from the board of directors
2.	Bhaskar Agro Farms Private Limited	March 29, 2006	Resigned from the board of directors
3.	Siri Orchids Private Limited	March 29, 2006	Resigned from the board of directors
4.	Venu Orchids Private Limited	March 29, 2006	Resigned from the board of directors
5.	Bhaskar Orchids Private Limited	March 31, 2006	Resigned from the board of directors
6.	GVRN Groves Private Limited	March 31, 2006	Resigned from the board of directors
7.	GVRN Orchids Private Limited	March 31, 2006	Resigned from the board of directors
8.	GVRN Farms and Real Estates Private Limited	March 31, 2006	Resigned from the board of directors
9.	Venu Agro Farms Private Limited	March 31, 2006	Resigned from the board of directors
10.	Siri Groves Private Limited	March 31, 2006	Resigned from the board of directors
11.	Bhaskar Biotech Private Limited	March 31, 2006	Resigned from the board of directors
12.	Siri Agrotech Private Limited	March 31, 2006	Resigned from the board of directors
13.	Lanco Net Limited	June 20, 2006	Resigned from the board of directors
14.	Lanco Projects Limited	May 31, 2006	Resigned from the board of directors
15.	VHEPL	May 31, 2006	Resigned from the board of directors
16.	Diamond Farms	May 31, 2006	Resigned from the board of directors
17.	Pearl Farms	May 31, 2006	Resigned from the board of directors
18.	Ruby Agro	May 31, 2006	Resigned from the board of directors

Sl. No.	Name of the Promoter Group Company	Date of Disassociation	Reason for Disassociation
19.	Coral Agro	May 31, 2006	Resigned from the board of directors
20.	Garnet Agro	May 31, 2006	Resigned from the board of directors
21.	Uranus Projects	May 31, 2006	Resigned from the board of directors
22.	Neptune Projects	May 31, 2006	Resigned from the board of directors
23.	LHPVL	May 31, 2006	Resigned from the board of directors

3. ***L. Sridhar***

Sl. No.	Name of the Promoter Group Company	Date of Disassociation	Reason for Disassociation
1.	Lanfin Ventures Private Limited	January 9, 2006	Resigned from the board of directors

4. ***Prince Stone***

Sl. No.	Name of the Promoter Group Company	Date of Disassociation	Reason for Disassociation
1.	CPCL	June 7, 2006	Transfer of shareholding pursuant to the reorganisation*
2.	GLPPL	May 31, 2006	Transfer of shareholding pursuant to the reorganisation*

* *In May 2006, the Company commenced a reorganisation to consolidate the power, construction and property development assets of the Promoter Group companies and the Lanco Group under one holding company. In order to achieve such reorganisation, the Company acquired or subscribed to the equity shares of its certain of its Subsidiaries. For further details, please refer to the section titled "Reorganisation" on page 65 of this Red Herring Prospectus.*

For details of litigation against these companies, please refer to the section titled "Outstanding Litigation and Defaults – D. Promoter Group" beginning on page 253 of this Red Herring Prospectus.

Lanco Global Systems Limited

The company was incorporated on January 28, 1999. It was incorporated to carry on the business of software development and allied activities and to undertake consultancy, research, designing, conducting, testing, supervising for the development of software, systems and programming. Lanco Global provides software services and solutions to the Indian and worldwide markets. Its registered office is situated at 141, Lanco House, Avenue 8, Banjara Hills, Hyderabad - 500 034.

The company made an initial public offer of 2,670,000 of its equity shares in July 2000 for cash at a price of Rs. 10 per equity share. The initial public offer of Lanco Global Systems was oversubscribed and the allotment of equity shares to the applicants for the initial public offer was made on August 17, 2000. The equity shares of the Company were listed on the BSE, the Ahmedabad Stock Exchange and the Hyderabad Stock Exchange Limited on October 3, 2000. Subsequently, on September 27, 2003, the shares of the company were delisted from the Ahmedabad Stock Exchange.

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue, i.e., to part finance the setting up of a software development centre, to finance the setting up of an office in USA and to finance to the acquisition of a software company and there were no deviations from the objects on which the issue proceeds were utilized.

Shareholding Pattern as on October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
A.	**Shareholding of Promoter and Promoter Group**		
1.	Promoters		
	– Indian Promoters	686,760	6.44
	– Foreign Promoters	4,795,650	45.00
	Total Promoter and Promoter Group	**5,482,410**	**51.44**

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
B.	**Public Shareholding**		
1.	Institutions	-	-
2.	Non-Institutions		
	– Bodies Corporate	1,566,200	14.70
	– Individuals	2,703,084	25.36
	– Others	898,274	8.43
	Clearing members	7,032	0.07
	Total Public Shareholding	**5,174,590**	**48.56**
	Total	**10,657,000**	**100.00**

Lanco Global Systems Limited has constituted the Investor's Grievance Committee comprising of L. Madhusudhan Rao (the chairman) and Nagarjun Valluripalli. K.V.R Raju, the compliance officer of Lanco Global Systems Limited is the secretary to the said committee. The scope and functions of the Investors' Grievance Committee include redressal of shareholders' complaints, issue of share certificates and duplicate share certificates and to strengthen investor relations.

The shareholder complaints are generally attended to within 15 days of the date of receipt of such complaints.

For the quarter ended September 30, 2006, there were no pending investor complaints.

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	Y. Harish Chandra Prasad	Director
4.	M.N. Nambiar	Director
5.	Dr. Prasada Rao VDM Ravella	Director
6.	B. Anand	Director (Alternate to Dr. Prasada Rao VDM Ravella)
7.	Nagarjun Valluripalli	Director & C.E.O

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

	For the fiscal year ended March 31, 2003	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005#
Sales & Other Income	27.86	29.32	61.33
PAT	2.19	2.15	6.47
Equity Capital	106.49	106.49	106.49
Reserves *	5.88	8.64	15.97
EPS (Rs.)	0.21	0.20	0.61
Book Value (Rs.)	10.54	10.80	11.49

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

\# *Lanco Global Systems Limited has received an approval from the RoC to submit the accounts for the fiscal year ended March 31, 2006 by December 31, 2006 in view of pending merger of Lanco Global Inc., USA with Lanco Global Systems Limited.*

Promise v. Performance

In its prospectus in relation to the aforementioned public offer, the company had made certain projections and the actual performance of the same is set out hereunder:

(Rs. in million)

	2000 – 2001		2001 – 2002		2002 – 2003	
Particulars	**Projections**	**Performance**	**Projections**	**Performance**	**Projections**	**Performance**
Income from Operations	90.06	31.74	138.11	60.81	243.16	27.86
PBIDT	27.77	5.58	36.98	13.95	60.2	9.17
Interest	3.79	2.05	4.59	2.15	6.28	1.32
Depreciation	5.38	2.56	5.38	5.13	5.38	5.08
PBT	**18.08**	**0.96**	**26.49**	**6.67**	**48.01**	**2.77**
Tax	1.22	0	3.96	0.061	7.05	0.58
Profit After Tax	**16.86**	**0.96**	**22.53**	**6.61**	**40.96**	**2.19**
Book Value	-	9.92	-	10.27	-	10.54
Earning Per Share	-	0.09	-	0.62	-	0.21

The company had projected its financials on the assumption that certain orders/projects that it had bid for would be awarded to it. However, due to the downtrend in the IT industry at that time, such orders/projects did not materialize, thus resulting in the afore-indicated shortfall.

Information about the Share Price of Lanco Global Systems Limited

The shares of the company are listed on the BSE and the Hyderabad Stock Exchange Limited. The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Month	**Traded Value (in Rs.)**	
	High	**Low**
October 2006	38.25	33.05
September 2006	43.00	33.15
August 2006	45.20	37.00
July 2006	43.60	33.35
June 2006	61.30	37.25
May 2006	61.10	44.25

Details of closing price of Lanco Global Systems as of September 29, 2006 is: Rs. 35.40

The Hyderabad Stock Exchange, by its letter dated October 9, 2006 has informed the Company that there have been no quotations for the shares of Lanco Global Systems from the period commencing April 1, 2006 to September 30, 2006 and accordingly no market price may be provided for the shares of the company.

Details of Public/Rights Issue in the Last Three Years

No public or rights issues were made in the last three years by the company.

Recent Developments

Pursuant to a scheme of arrangement sanctioned by the Andhra Pradesh High Court on June 30, 2006, Lanco Global Systems Limited has amalgamated with Lanco Global Systems, Inc. (the transferor). The transferee was a foreign company that was incorporated in 2004 under the Georgia Business Code, United States of America as a “domestic profit corporation”. Pursuant to the said amalgamation, the transferor would become part of Lanco Global Systems Limited and the assets and liabilities and employees (without a change in the terms of employment) of the transferor would stand transferred to Lanco Global Systems Limited. As consideration for the said amalgamation, within a period of 30 days from the effective date, the shareholders of the transferor would get allotted 14,766,667 fully paid-up equity shares of face value of Rs. 10 of Lanco Global Systems Limited in the ratio of two shares of Lanco Global Systems Limited for every three shares of the transferor. However, no consequent allotment (as aforesaid) has been made as yet.

Lanco Industries Limited

The company was originally incorporated as “Lanco Ferro Limited” on November 1, 1991 and subsequently the name of the company was changed to "Lanco Industries Limited" on July 6, 1994. It was incorporated to carry on trade, produce, sell and deal in all types of iron and steel, including non ferrous and ferrous materials such as pig iron, sponge iron by any type of blast furnace, rotary kiln or in any other methods. The company manufactures pig iron and slag cement through two separate manufacturing units. Its registered office is situated at Rachagunneri Village, Srikalahasti Mandal, Chittoor District Andhra Pradesh, India.

Lanco Industries Limited made an initial public offer of 9,000,000 of its equity shares in 1994 for cash at a price of Rs.10 per equity share. The initial public offer of Lanco Industries was oversubscribed and the allotment of equity shares to the applicants for the initial public offer was made on July 27, 1994. The equity shares of the Company were listed on BSE, the Hyderabad Stock Exchange and the Calcutta Stock Exchange on August 3, 1994, August 4, 1994 and October 27, 1994 respectively.

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue, i.e., to part finance the project for the manufacture of 90,000 tonnes per annum of foundry for grade pig iron and there were no deviations from the objects for which the issue proceeds were utilized.

Shareholding Pattern as on October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
A.	**Shareholding of Promoter and Promoter Group**		
1.	Promoters		
	– Indian Promoters	19,799,939	49.79
	– Foreign Promoters	-	-
	Total Promoter and Promoter Group	**19,799,939**	**49.79**
B.	**Public Shareholding**		
1.	Institutions		
	– Mutual Funds	17,400	0.04
	– Financial Institutions	110,225	0.28
	– Central/State Government	244,200	0.61
	– Insurance Companies	40,000	0.10
	– FIIs	10,050	0.03
	– OCBs	3,000,000	7.54
	Total Institutional Holding	**3,421,875**	**8.60**
2.	Non-Institutions		
	– Bodies Corporate	1,513,752	3.81
	– Individuals	13,189,919	33.17
	– Others	1,838,110	4.62
	Total Non Institutional Holding	**16,541,781**	**41.6**
	Total Public Shareholding	**19,963,656**	**50.21**
	Total	**39,763,595**	**100.00**

Lanco Industries Limited has constituted the Investor's Grievance Committee comprising of S.Y. Rajagopalan (the chairman), G. Bhaskara Rao and Gowri Sankar Tekriwal. G.D. Saini, the compliance officer of Lanco Industries Limited is the secretary to the said committee. The scope and functions of the Investors' Grievance Committee include redressal of shareholders' complaints, issue of share certificates and duplicate share certificates and to strengthen investor relations.

The shareholder complaints are generally attended to within 21 days of the date of receipt of such complaints. For the quarter ended September 30, 2006, there were no pending investor complaints.

Board of Directors

Sl. No.	Name	Designation
1.	Pradip Kumar Khaitan	Chairman
2.	S.Y. Rajagopalan	Director
3.	Abhishek Dalmia	Director
4.	G. Maruthi Rao	Director
5.	Gouri Sankar Rathi	Director
6.	L. Madhusudhan Rao	Director
7.	G. Bhaskara Rao	Director
8.	L. Sridhar	Director
9.	Suresh Chukkapalli	Director
10.	M. Balarama Krishnaiah	Nominee of APIDC
11.	Vatsala Krishnakumar	Nominee of IDBI
12.	Gowri Sankar Tekriwal	Managing Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the year ended March 31, 2006
Sales & Other Income (excluding adj. in stock)	2,112.63	2,867.01	3,037.33
PAT	260.46	209.42	41.50
Equity Capital	397.64	397.64	397.64
Reserves *	214.63	379.46	398.67
EPS (Rs.)	6.55	5.27	1.04
Book Value (Rs.)	15.40	19.54	20.03

* *Net of revaluation reserves and miscellaneous expenditure not written off*

Promise v. Performance

In its prospectus in relation to the aforementioned public offer, the company had made certain projections and the actual performance of the same is set out hereunder:

(Amount in Rs. Million)

Particulars	1994 – 1995		1995 – 1996		1996 – 1997		1997 - 1998		1998 - 1999	
	Projections	Performance	Projections	Performance	Projections	Performance	Projections	Performance	Projections	Performance
Net Sales	289.10	209.10	468.00	618.92	523.00	833.58	523.00	653.90	523.00	874.46
PBIDT	**94.20**	**47.31**	**165.90**	**156.92**	**185.20**	**175.57**	**185.20**	**119.38**	**185.20**	**125.90**
Interest	46.80	31.57	66.10	60.58	62.00	77.71	53.80	76.01	45.60	83.75
Depreciation	40.80	11.63	54.10	25.75	54.10	32.49	54.10	33.83	54.10	33.83
Tax	-	-	-	-	-	8.54	-	1.08	-	0.95
Profit After Tax	**6.60**	**4.10**	**45.80**	**70.58**	**69.10**	**56.82**	**49.30**	**8.44**	**49.80**	**7.39**
Book Value	10.31	9.84	12.32	11.63	13.52	12.89	15.35	12.15	17.53	12.81
Earning Per Share (Rs.)	0.26		1.83	2.94	2.77	2.09	1.97	0.34	2.00	0.30

The afore-indicated shortfall was on account of the delayed commissioning of the pig-iron plant and the captive power plant in 1994-1995. Further, during 1996-1997, there was a down-turn in the pig iron industry resulting in the margin reductions, resulting in lower profitability, despite higher turnover.

Information about the Share Price of Lanco Industries

The shares of the company are listed on the BSE, the Calcutta Stock Exchange Limited and the Hyderabad Stock Exchange Limited. The monthly high and low of the market price of the shares on the BSE for the last six months are as follows:

Month	Trading Price (in Rs.)	
	High	Low
October 2006	41.00	37.15
September 2006	40.60	33.20
August 2006	42.00	33.75
July 2006	33.60	32.65
June 2006	46.50	30.10
May 2006	56.50	33.00

Details of closing price of Lanco Industries Limited as of September 29, 2006 is: Rs. 38.15

The Hyderabad Stock Exchange, by its letter dated October 9, 2006, has informed the Company that there have been no quotations for the shares of Lanco Industries Limited from the period commencing April 1, 2006 to September 30, 2006 and accordingly no market price may be provided for the shares of the company. The Calcutta Stock Exchange through its letter dated October 11, 2006 indicated that there has been no trading in the shares of Lanco Industries Limited from the period commencing April 1, 2006 to September 30, 2006.

Details of Public/Rights Issue in the Last Three Years

No public or rights issues were made in the last three years by the Company.

Lanco Net Limited

The company was incorporated on January 5, 2000 with its registered office at 141, Lanco House, Avenue 8, Banjara Hills, Hyderabad – 500 034. It was incorporated to carry on the business of software development and allied activities and to undertake consultancy, research, designing, conducting, testing, supervising for the development of software, systems and programming and also to carry on the business of all types of telecommunication services including internet services.

Shareholding Pattern as of October 91, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Rajagopal	1,000	0.00
2.	L. Madhusudhan Rao	1,000	0.00
3.	L. Sridhar	1,000	0.00
4.	G. Bhaskara Rao	11,000	0.01
5.	L. Padma	13,601,000	15.39
6.	G. Padmavathi	13,701,000	15.50
7.	L. Rajalaxmi	13,601,000	15.39
8.	Lanco Global Systems Limited	20,000,000	22.63
9.	Sai Srinivas Reddy	25,000	0.03
10.	Dr. Geeta Gupta	1,000	0.00
11.	L. Sirisha	13,540,000	15.32
12.	Y. Harish Chandra Prasad	13,900,000	15.73
	Total	**88,383,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	L. Sridhar	Director
3.	Suresh Chukkapalli	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	0.07	0.02	NIL
PAT	(8.57)	(6.79)	(4.4)
Equity Capital	88.38	88.38	88.38
Reserves *	(73.72)	(80.51)	(84.91)
EPS (Rs.)	(0.10)	(0.08)	(0.05)
Book Value (Rs.)	0.17	0.09	0.04

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Lanco Projects Limited

The company was incorporated as on December 16, 1994 in the State of Andhra Pradesh with its registered office at 141, Lanco House, Avenue # 8, Banjara Hills, Hyderabad - 500 034. The main business of the company is to carry on civil contract works including construction of canals, reservoirs, embankments, docks, irrigation facilities, sanitary facilities and water facilities for any Government/ non Government agency. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of share of Rs. 10 each	Percentage of Shareholding
1	Lanco Group Limited	40,000	80.00
2.	G. Bhaskara Rao	10,000	20.00
	Total	**50,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	Suresh Chukkapalli	Managing Director
2.	L. Madhusudhan Rao	Director
3.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	(0.35)	(0.17)	(0.10)
Equity Capital	0.50	0.50	0.50
Reserves *	(0.29)	(0.46)	(0.56)
EPS (Rs.)	(7.11)	(3.38)	(2.03)
Book Value (Rs.)	4.16	0.78	(1.25)

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Lanco Property Management Company Private Limited

Lanco Property Management Company Private Limited was incorporated on August 31, 2005 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business or vocation of acting as advisors and consultants on all matters relating to purchase, sale, development, exchange, lease, hire whether for investment or sale of real estates of all kinds and to act as advisors, consultants on all matters relating to development, construction, building, erection, demolition, re-erection in connection with any building, roads, highways etc. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl . No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50.00
2.	L. Madhusudhan Rao	5,000	50.00
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	9.22

Lanpro Trustee Company Private Limited

Lanpro Trustee Company Private Limited was incorporated on January 24, 2006 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of acting as trustee for venture capital funds, investment funds or vehicles, including off-shore funds, domestic funds, private equity funds, mutual funds, investment trusts, or any other pool or portfolio of securities, properties or assets of any kind. The company has not commenced any commercial operations yet.

As per an investment management agreement dated February 20, 2006 between Lanpro Trustee Company Private Limited and Lanco Property Management Company Private Limited, the latter has been appointed as the investment manager for the "Realty India Trust", which has been registered with the SEBI under the SEBI (Venture Capital) Regulations, 1996 as a 'venture capital fund' on September 26, 2006. The Realty India Trust has been settled by LGL with an initial corpus of Rs. 10,000 under a trust deed dated February 10, 2006 and Lanpro Trustee Company Private Limited has been appointed as the trustee.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	A.V.V.S. Raju	5,000	50
2	L. Sridhar	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	R. Bhiksham	Director
2.	A.V.S.S. Raju	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. In Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	8.40

Lanfin Ventures Private Limited

Lanfin Ventures Private Limited was incorporated on January 3, 2006 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of acting as managers, advisors, administrators, agents, consultants, for any venture capital funds, investment funds, unit trusts, private equity or debt funds, mutual funds, investment trust or any other portfolio of securities and providing financial services, advice which are in the nature of services provided by investment and fund managers and advisors, promoters and managers of venture capital funds, mutual funds, unit trust and capital funds. The company has not commenced any commercial operations yet.

As per an investment management agreement dated January 30, 2006 between IDBI Trusteeship Services Limited and Lanfin Ventures Private Limited, the latter has been appointed as the investment manager for the "INFRAINDIA Trust", which has been registered with the SEBI under the SEBI (Venture Capital) Regulations, 1996 as a 'venture capital fund' on March 29, 2006. The INFRAINDIA Trust has been settled by LGL with an initial corpus of Rs. 10,000 under a trust deed dated January 20, 2006 and IDBI Trusteeship Services Limited has been appointed as the trustee.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Bhaskara Rao	5,000	50
2	L. Sridhar	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director
3.	G. Venkatesh Babu	Director
4.	B. Vasanthan	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	9.07

Lanfin Trustee Private Limited

Lanfin Trustee Private Limited was incorporated on January 3, 2006 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of acting as trustee for venture capital funds, investment funds or vehicles, including off shore funds, domestic funds, private equity funds, mutual funds, investment trusts and to facilitate securitisation of loan portfolio of companies and allow entities to create and develop a secondary market for securities receivables and also to act as debenture trustee for issues of debentures by private and public sector companies. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	9.04

Himavat Power Private Limited

Himavat Power Private Limited was incorporated in Andhra Pradesh on February 23, 2005 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.12	9.12

Pragdisa Power Private Limited

Pragdisa Power Private Limited was incorporated in the Andhra Pradesh on February 22, 2005 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.93	8.93

Occidental Power Private Limited

Occidental Power Private Limited was incorporated in the Andhra Pradesh on February 23, 2005 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.03	8.03

Vainateya Power Private Limited

Vainateya Power Private Limited was incorporated in Andhra Pradesh on February 23, 2005 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.12	9.12

Chamba Hydro Power Private Limited

Chamba Hydro Power Private Limited was incorporated in the Andhra Pradesh on May 11, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.24	8.24

Chatari Hydro Power Private Limited

Chatari Hydro Power Private Limited was incorporated in Andhra Pradesh on May 17, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves *	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.29	8.29

Dharamshala Hydro Power Private Limited

Dharamshala Hydro Power Private Limited was incorporated in the State of Andhra Pradesh as on May 11, 2004 having its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.50	8.50

Diyothal Hydro Power Private Limited

Diyothal Hydro Power Private Limited was incorporated in Andhra Pradesh on June 9, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Hyderabad – 500 033, India. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Rajalakshmi	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Rajalakshmi	Director
2.	G. Bhaskara Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	(41.2)	(41.2)

Mehad Hydro Power Private Limited

Mehad Hydro Power Private Limited was incorporated in the State of Andhra Pradesh as on June 09, 2004 having its registered office at C-4, Film Nagar Co-op Housing Society, Jubilee Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl . No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Sridhar	5,000	50
2.	G. Padmavathi	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	L. Sridhar	Director
2.	G. Padmavathi	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.01	9.01

Parvat Hydro Power Private Limited

Parvat Hydro Power Private Limited was incorporated in Andhra Pradesh on May 11, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	G. Bhaskara Rao	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	**Name**	**Designation**
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.24	8.24

Chobia Hydro Power Private Limited

Chobia Hydro Power Private Limited was originally incorporated in Andhra Pradesh as "Veerabhadra Hydro Power Private Limited" on June 9, 2004 and subsequently the name of the company was changed to "Chobia Hydro Power Private Limited" on April 19, 2006. The registered office of the company is situated at Plot No. 42, Road No. 6, Film Nagar, Hyderabad - 500 033. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sirisha	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sirisha	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves *	NA	(0.01)	(0.01)
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	8.81	8.81

* *Net of miscellaneous expenditure not written off.*

Ravi Hydro Electric Private Limited

Ravi Hydro Electric Private Limited was incorporated in the National Capital Territory of Delhi on February 14, 2006 with its registered office at Upper Ground Floor, Antariksha Bhavan, 22, K.G. Road, New Delhi – 110 001. The company was incorporated to carry on the business of acquiring, setting up, running, operating, maintaining, manufacturing, designing, supplying and servicing all kinds of power plants including hydro-power plants, bio-power plants, solar-power plants, wind-based power plants and to construct, establish, maintain power stations, boiler houses, steam turbines and switch yards for generating, accumulating, distributing and supplying electricity. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl. No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	3,000	30
2.	L. Madhusudhan Rao	4,000	40
3.	L. Sridhar	3,000	30
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director
3.	L. Sridhar	Director
4.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	9.12

Himachal Hydro Power Private Limited

Himachal Hydro Power Private Limited was incorporated in the National Capital Territory of Delhi as on February 14, 2006 having its registered office at Upper Ground Floor, Antariksha Bhavan, 22, K.G. Road, New Delhi – 110 001. The company was incorporated to carry on the business of acquiring, setting up, running, operating, maintaining, manufacturing, designing, supplying and servicing all kinds of power plants including hydro-power plants, bio-power plants, solar-power plants, wind-based power plants and to construct, establish, maintain power stations, boiler houses, steam turbines and switch yards for generating, accumulating, distributing and supplying electricity. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	3,000	30
2.	L. Madhusudhan Rao	4,000	40
3.	L. Sridhar	3,000	30
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Madhusudhan Rao	Director
3.	L. Sridhar	Director
4.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	9.12

Jubilee Hydro Power Private Limited

Jubilee Hydro Power Private Limited was incorporated in Andhra Pradesh on June 9, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to undertake generation, harnessing, development, accumulation, distribution and supply of electricity, either through hydro, thermal, coal, lignite or through other renewable energy sources. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Padmavathi	5,000	50
2.	L. Madhusudhan Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Padmavathi	Director
2.	L. Madhusudhan Rao	Director
3.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.01	9.01

Garnet Groves Private Limited

Garnet Groves Private Limited was incorporated in Andhra Pradesh on February 10, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Padmavathi	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sridhar	Director
2.	G. Bhaskara Rao	Director
3.	G. Padmavathi	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves *	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.09	9.09	9.09

Jupiter Infratech Private Limited

Jupiter Infratech Private Limited was incorporated in Andhra Pradesh on March 04, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Padmavathi	5,000	50
2.	Y. Harishchandra Prasad	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	G. Padmavathi	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.76	8.76	8.76

Mercury Projects Private Limited

Mercury Projects Private Limited was incorporated in Andhra Pradesh on February 27, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sirisha	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sirisha	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.13	9.13	9.13

Coral Orchids Private Limited

Coral Orchids Private Limited was incorporated in Andhra Pradesh on February 10, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetable products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	5,000	50
2.	G. Bhaskara Rao	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Padma	Director
2.	G. Bhaskara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.04	9.04	9.04

Emerald Orchids Private Limited

Emerald Orchids Private Limited was incorporated in Andhra Pradesh on February 10, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sridhar	Director
2.	G. Bhaskara Rao	Director
3.	L. Padma	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.98	8.98	8.98

Uranus Properties Private Limited

Uranus Properties Private Limited was incorporated in Andhra Pradesh on March 4, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet.

Shareholding as of October 9, 2006

Sl . No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	5,000	50
2.	L. Sridhar	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl. No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Padma	Director
3.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.91	8.91	8.91

Uranus Infratech Private Limited

Uranus Infratech Private Limited was incorporated in the State of Andhra Pradesh as on March 4, 2004 having its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	Y. Tejaswani	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.78	8.78	8.78

LARSCO Entertainment Private Limited

Larsco Entertainment Private Limited was incorporated in Andhra Pradesh on June 12, 2003 with its registered office at No. 822, Road No. 40, Jubilee Hills, Hyderabad – 500 033. The company was incorporated to carry on the business of production, distribution and exhibition of all forms of cinematography including films, advertisement films, audio tracks, video films and all other movies.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Sridhar	5,000	50
2.	L. Sirisha	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sridhar	Director
2.	L. Sirisha	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	21.21	62.47
PAT	NIL	(3.89)	0.34
Equity Capital	0.10	0.10	0.10
Reserves *	0.06	(3.92)	(3.57)
EPS (Rs.)	NIL	NIL	34.15
Book Value (Rs.)	5.66	(382.36)	(347.34)

* *Net of miscellaneous expenditure not written off.*

D.R.S Resorts Private Limited

D.R.S Resorts was incorporated on December 9, 2002 with its registered office at Kondapur Village, Serilingampally Mandalam, Rangareddy District, Hyderabad. The company was incorporated to carry on the business of developing resorts and golf courses. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	5,000	50
2.	Koneru Venu Madhav	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Padma	Director
2.	Koneru Venu Madhav	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	0.30
PAT	NIL	NIL	(1.14)
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	(1.58)
EPS (Rs.)	NIL	NIL	(113.94)
Book Value (Rs.)	10.00	10.00	(148.33)

Venu Agro Farms Private Limited

Venu Agro Farms Private Limited was incorporated in the State of Andhra Pradesh on November 10, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	5,000	50
2.	G. Avinash	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in Million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.23	9.23

Bhaskar Biotech Private Limited

Bhaskar Biotech Private Limited was incorporated in the State of Andhra Pradesh on July 19, 2005 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	G. Lakshmi Sirisha	5,000	50
2.	G. Avinash	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl No.	**Name**	**Designation**
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in Million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NA	NA	Nil
PAT	NA	NA	Nil
Equity Capital	NA	NA	0.10
Reserves	NA	NA	Nil
EPS (Rs.)	NA	NA	Nil
Book Value (Rs.)	NA	NA	9.23

Siri Agrotech Private Limited

Siri Agrotech Private Limited was incorporated in the State of Andhra Pradesh on July 19, 2005 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Lakshmi Sirisha	5,000	50.00
2	G. Avinash	5,000	50.00
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	Nil
PAT	NA	NA	Nil
Equity Capital	NA	NA	0.10
Reserves	NA	NA	Nil
EPS (Rs.)	NA	NA	Nil
Book Value (Rs.)	NA	NA	9.23

Siri Groves Private Limited

Siri Groves Private Limited was incorporated in the State of Andhra Pradesh on November 10, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	5,000	50
2.	G. Avinash	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	0.10
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	9.23	9.23

GVRN Agro Estates Private Limited

GVRN Agro Estates Private Limited was incorporated in the State of Andhra Pradesh on June 3, 2003 with its registered office at No. 19, CSC Complex, 16/342, Trunk Road, Nellore - 524 003. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Lakshmi Sirisha	182,800	43.34
2	G. Avinash	91,500	21.69
3	Others not forming part of the Promoter Group	147,500	34.97
	Total	**421,800**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Venugopal Naidu	Director
3.	G. Subba Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	0.02	0.22	0.24
PAT	(0.00)	(0.34)	(0.14)
Equity Capital	0.10	3.97	4.22
Reserves *	(0.01)	(0.41)	(0.54)
EPS (Rs.)	(0.29)	(0.81)	(0.33)
Book Value (Rs.)	9.12	8.96	8.73

* *Net of miscellaneous expenditure not written off.*

Bhaskar Orchids Private Limited

Bhaskar Orchids Private Limited was incorporated in the State of Andhra Pradesh on December 15, 2003 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Lakshmi Sirisha	90,000	31.30
2	G. Avinash	119,000	41.39
3.	Others not forming part of the Promoter Group	78,500	27.30
	Total	**287,500**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	(0.16)	0.20
PAT	NIL	(0.37)	0.15
Equity Capital	0.10	2.88	2.88
Reserves	(0.01)	(0.43)	(0.27)
EPS (Rs.)	NIL	NIL	0.52
Book Value (Rs.)	8.70	8.49	9.07

Bhaskar Agro Farms Private Limited

Bhaskar Agro Farms Private Limited was incorporated in the State of Andhra Pradesh as on December 13, 2003 with its No. 19, CSC Complex, 16/342, Trunk Road, Nellore- 524 003. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	88,500	31.38
2.	G. Avinash	126,000	44.68
3.	Others not forming part of the Promoter Group	67,500	23.94
	Total	**282,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NIL	0.19	0.21
PAT	(0.01)	(0.36)	0.16
Equity Capital	0.10	2.82	2.82
Reserves *	(0.01)	(0.42)	0.25
EPS (Rs.)	(0.54)	(1.26)	0.55
Book Value (Rs.)	8.86	8.53	9.13

* *Net of miscellaneous expenditure not written off.*

GVRN Groves Private Limited

GVRN Groves Private Limited was incorporated in the State of Andhra Pradesh on February 10, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	65,000	21.21
2.	G. Avinash	104,000	33.93
3.	Others not forming part of the Promoter Group	137,500	44.86
	Total	**306,500**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director
4.	G. Subba Rao	Director

Audited Financial Results for the Last Three Fiscal Years

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	0.18	0.11
PAT	NIL	0.14	0.10
Equity Capital	0.10	1.76	3.07
Reserves *	0.01	0.10	0.21
EPS (Rs.)	NIL	0.81	0.34
Book Value (Rs.)	8.97	10.58	10.70

* *Net of miscellaneous expenditure not written off.*

GVRN Orchids Private Limited

GVRN Orchids Private Limited was incorporated in the State of Andhra Pradesh on February 10, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Lakshmi Sirisha	68,000	47.55
2	G. Avinash	25,000	17.48
3	Others not forming part of the Promoter Group	50,000	34.97
	Total	**143,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Avinash	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	0.19	0.19
PAT	NIL	0.12	(0.26)
Equity Capital	0.10	1.43	1.43
Reserves	(0.10)	0.08	(0.17)
EPS (Rs.)	NIL	0.81	(1.78)
Book Value (Rs.)	8.98	10.57	8.84

GVRN Farms and Real Estates Private Limited

GVRN Farms and Real Estates Private Limited was incorporated in the State of Andhra Pradesh on January 27, 2004 with its registered office at Plot No. 42, Road No. 6, Film Nagar, Jubilee Hills, Hyderabad - 500 033. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, to carry on the business as dairy men, to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products, to act as real estators and developers of any land or property and to build housing colonies and commercial buildings. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	5,000	50
2.	G. Avinash	5,000	50
	Total	**10,000**	**100**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Subba Rao	Director
3.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves *	(0.01)	(0.01)	(0.01)
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.30	9.30	9.30

* *Net of miscellaneous expenditure not written off.*

Saffire Farms Private Limited

Saffire Farms Private Limited was incorporated in Andhra Pradesh on December 19, 2003 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50
2.	L. Sirisha	5,000	50
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sirisha	Director
2.	G. Bhaskara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.15	9.15	9.15

Siri Orchids Private Limited

Siri Orchids Private Limited was incorporated in the State of Andhra Pradesh on October 14, 2004 with its registered office at No. 19, CSC Complex, 16/342, Trunk Road, Nellore- 524 003. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Lakshmi Sirisha	58,200	39.81
2	G. Avinash	25,000	17.10
3	Others not forming part of the Promoter Group	63,000	43.09
	Total	**146,200**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Venugopal Naidu	Director
3.	G. Subba Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	(0.01)	0.21
Equity Capital	NA	0.10	1.46
Reserves *	NA	(0.01)	0.13
EPS (Rs.)	NA	NIL	1.13
Book Value (Rs.)	NA	8.69	10.87

* *Net of miscellaneous expenditure not written off.*

Venu Orchids Private Limited

Venu Orchids Private Limited was incorporated in the State of Andhra Pradesh on October 14, 2004 with its registered office at No.19, CSC Complex, 16/342, Trunk Road, Nellore – 524 003. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs and to maintain orchards, gardens or farms. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Lakshmi Sirisha	25,000	16.72
2.	G. Avinash	57,500	38.46
3.	Others not forming part of the Promoter Group	67,000	44.82
	Total	**149,500**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Venugopal Naidu	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	0.21
PAT	NA	(0.01)	0.15
Equity Capital	NA	0.10	1.50
Reserves *	NA	(0.01)	0.12
EPS (Rs.)	NA	NIL	1.03
Book Value (Rs.)	NA	8.66	10.77

* *Net of miscellaneous expenditure not written off.*

Century Investments Limited

Century Investments Limited was incorporated in the Republic of Mauritius on September 16, 2002 with its registered office at St. James Court – Suit 308, St. Denis Street, Port Louis, Republic of Mauritius. It was established to engage in qualified global business as permitted under the Financial Services Development Act, 2001 of the Republic of Mauritius.

Shareholding Pattern as of May 31, 2006

Management shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55
2.	Shore Investments Limited	300	30
3.	Vitrual International Limited	150	15
	Total	**1,000**	**100.00**

Voting Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55
2.	Shore Investments Limited	250	25
3.	Vitrual International Limited	200	20
	Total	**1,000**	**100.00**

Non-Voting shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Shore Investments Limited	390,000	46.40
2.	Vitrual International Limited	248,585	29.60
3.	Others not forming part of the Promoter Group	201,415	23.97
	Total	**840,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	Denis Sek Sum	Director
2.	L. Madhusudhan Rao	Director
3.	Fung Kong Yune Kim	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in USD Million)

Particulars	**For the fiscal year ended September 30, 2003**	**For the fiscal year ended September 30 , 2004**	**For the fiscal year ended September 30 , 2005**
Sales & Other Income	0.00	0.00	0.00
PAT	(0.02)	(0.01)	(0.01)
Equity Capital	0.00	8.41	8.42
Reserves *	(0.02)	(0.02)	(0.03)
EPS (USD)	(15,475)	(0.01)	(0.01)
Book Value (USD)	(15,474)	9.97	9.96

* *Net of miscellaneous expenditure not written off.*

Third Millinnium Investments Limited

Third Millinnium Investments Limited was incorporated in the Republic of Mauritius on April 24, 1995 with its registered office at 5, Duke of Edinburgh Avenue, Port Louis, Mauritius. It was established to engage in qualified global business as permitted under the Financial Services Development Act, 2001 of the Republic of Mauritius.

Shareholding Pattern as of October 9, 2006

Management Shares

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	L. Madhusudhan Rao	550	55.00
2.	Pam Corporation Limited	450	45.00
	Total	**1,000**	**100.00**

Voting Shares

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	L. Rajagopal	550	55.00
2.	Trade Crown Investments Limited	150	15.00
3.	Pam Corporation Limited	100	10.00
4.	Others not forming part of the Promoter Group	200	20.00
	Total	**1,000**	**100.00**

Non-Voting shares

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	Pam Corporation Limited	1,123,739	45.46
2.	Trade Crown Investment Limited	1,208,079	48.88
3.	Others not forming part of the Promoter Group	140,050	5.66
	Total	**2,471,868**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	Micheal V K Lo Tiap Kwong	Director
2.	L. Madhusudhan Rao	Director
3.	Salem Jhumka	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in USD Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	4.24	4.90	2.92
PAT	4.21	4.88	2.85
Equity Capital	24.74	24.74	24.74
Reserves	0.01	0.06	0.07
EPS (USD)	1.05	1.97	1.15
Book Value (USD)	10.00	10.03	10.03

Island Power Ventures Limited

Island Power Ventures Company was incorporated in the Republic of Mauritius on March 11, 2004 with its registered office at St. James Court – Suit 308, St. Denis Street, Port Louis, Republic of Mauritius. It was established to engage in qualified global business as permitted under the Financial Services Development Act, 2001 of the Republic of Mauritius.

Shareholding Pattern as of October 9, 2006

Management Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55.00
2.	Shore Investments Limited	250	25.00
3.	Vitrual International Limited	200	20.00
	Total	**1,000**	**100.00**

Voting Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	550	55.00
2.	Shore Investments Limited	250	25.00
3.	Vitrual International Limited	200	20.00
	Total	**1,000**	**100.00**

Non-Voting Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Shore Investments Limited	549,000	63.55
2.	Vitrual International Limited	140,000	16.20
3.	Others not forming part of the Promoter Group	175,000	20.25
	Total	**864,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	Denis Sek Sum	Director
2.	Fung Kong Yune Kim	Director
3.	L. Madhusudhan Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in USD Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	0.00	0.00
PAT	NA	(0.00)	(0.01)
Equity Capital	NA	0.00	8.66
Reserves	NA	0.00	(0.01)
EPS (USD)	NA	(4,406)	(0.01)
Book Value (USD)	NA	(4,405)	9.99

Pam Corporation Limited

Pam Corporation Limited was incorporated in the Republic of Mauritius on July 25, 1997 with its registered office at Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius. The company was incorporated to engage in any business not prohibited under the laws for the time being in force in the Republic of Mauritius and to borrow or raise money by the issue of debenture stock (perpetual or terminable) bonds, mortgages or any other securities founded or based upon all or any of the assets or property of the company or without any such security and upon such terms as the company may deem fit. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Vitrual International Limited	100	100
	Total	**100**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director

Unaudited Financial Results for the Last Year

(In USD)

	As of March 31, 2006
Income	2,416,000
Net Value of Assets	5,890
Book Value per Unit	59

The company is registered under Mauritius law and is holding a Category 2 Global Business License which exempts the company from the preparation of financial statements. The financials for period before the fiscal year ending March 2006, haven't been prepared.

Trade Crown Investment Limited

Trade Crown Investment Limited was incorporated in Hong Kong on February 28, 1995 with its registered office at 3905, Two Exchange Square, Suite No. 3651, 8 Connaught Place, Central, Hong Kong. It was established to carry on the activity of an investment holding company.

Shareholding Pattern as of October 9, 2006

Ordinary Shares

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1	Vitrual International Limited	1	100.00
	Total	**1**	**100.00**

Board of Directors

Sl No.	**Name**	**Designation**
1.	L. Madhusudhan Rao	Director

Audited Financial Results for the last three fiscal years

(Amount in USD Million)

Particulars	**For the fiscal year ended December 31, 2002**	**For the fiscal year ended December 31, 2003**	**For the fiscal year ended December 31, 2004***
Sales & Other Income	0.00	3.09	NA
PAT	(0.02)	3.08	NA
Equity Capital	0.00	0.00	NA
Reserves	(0.02)	3.06	NA
EPS (USD)	(0.02)	3.08	NA
Book Value (USD)	(0.02)	3.06	NA

* *The financial accounts for the year ending December 2004 as per the Hong Kong regulations are required to be submitted by December 2006.*

Vitrual International Limited

Vitrual International Limited was incorporated in the Republic of Mauritius on May 15, 2003 with its registered office at Suite 308, St James Court, St. Denis Street, Port Louis, Republic of Mauritius. It was established with the objective of engaging in qualified global business as permitted under the Financial Services Development Act, 2001.

Shareholding Pattern as of October 9, 2006

Ordinary Shares

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1	L. Madhusudhan Rao	1	100.00
	Total	**1**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director

Unaudited Financial Results for the last year

(In USD)

	As of March 31, 2006
Income	21,360
Net Value of Assets	4,360
Book Value per Unit	4,360

The company is registered under Mauritius law and is holding a Category 2 Global Business License which exempts the company from the preparation of financial statements. The financials for period before the fiscal year ending March 2006, haven't been prepared.

Shore Investments Limited

Shore Investments Limited was incorporated in the Republic of Mauritius on June 3, 2003 with its registered office at Level 11, No. 1 Cathedral Square, Pope Hennessy Street, Port Louis, Republic of Mauritius. It was established with the objective of engaging in qualified global business as permitted under the Financial Services Development Act, 2001.

Shareholding Pattern as of October 9, 2006

Ordinary Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	L. Madhusudhan Rao	1	100.00
	Total	**1**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director

Unaudited Financial Results for the last year

(In USD)

	As of March 31, 2006
Income	3,10,500
Net Value of Assets	1,500
Book Value per Unit	1,500

The company is registered under Mauritius law and is holding a Category 2 Global Business License which exempts the company from the preparation of financial statements. The financials for period before the fiscal year ending March 2006, haven't been prepared.

Pacific Power Ventures Limited

Pacific Power Ventures Limited was incorporated in the Republic of Mauritius on November 15, 2005 with its registered office at Level 11, No. 1 Cathedral Square, Pope Hennessy Street, Port Louis, Republic of Mauritius. It was established with the objective of engaging in qualified global business as permitted under the Financial Services Development Act, 2001.

Shareholding Pattern as of October 9, 2006

Ordinary Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	MITCO Services Limited	1	100.00
	Total	**1**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	Kee Chong Li Kwong Wing	Director
2.	Amal Arpun Autar	Director
3.	Mauritius International Trust Co. Limited	Director
4.	L. Madhusudhan Rao	Director

Unaudited Financial Results for the last three fiscal years

The financial statements of Pacific Power Ventures Limited have not been prepared as the company was incorporated on November 15, 2005 and the first set of financial statements will be prepared for the year ending December 31, 2006.

Fremont Ventures Limited

Fremont Ventures Limited was incorporated in the Republic of Mauritius on November 15, 2005 with its registered office at Level 11, No. 1 Cathedral Square, Pope Hennessy Street, Port Louis, Republic of Mauritius. It was established with the objective of engaging in qualified global business as permitted under the Financial Services Development Act, 2001.

Shareholding Pattern as of October 9, 2006

Ordinary Shares

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	MITCO Services Limited	1	100.00
	Total	1	100.00

Board of Directors

Sl No.	Name	Designation
1.	Kee Chong Li Kwong Wing	Director
2.	Amal Arpun Autar	Director
3.	Mauritius International Trust Co. Limited.	Director
4.	L. Madhusudhan Rao	Director

Audited Financial Results for the last three fiscal years

The financial statements of Fremont Ventures Limited have not been prepared as the company was incorporated on November 15, 2005 and the first set of financial statements will be prepared for the year ending December 31, 2006.

M/s S.V. Contractors

S.V.Contractors, a partnership firm was formed as per the partnership deed executed in Chennai on April 1, 1998. Its registered office is situated at 4th Floor, Lanco House, 25, G.N. Chetty Road, T. Nagar, Chennai- 600 017.

Capital and Profit Sharing Ratio as on October 9, 2006

Sl. No.	Name of the Partner	Capital and Profit Sharing Ratio
1.	L . Rajagopal	25%
2.	L. Madhusudhan Rao	25%
3.	G. Bhaskara Rao	25%
4.	L. Sridhar	25%

Partners as of October 9, 2006

Sl. No.	Name of the Partner
1.	L. Rajagopal
2.	L. Madhusudhan Rao
3.	G. Bhaskara Rao
4.	L. Sridhar

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income (excluding closing stock)	42.38	33.11	23.76
PAT	3.80	3.19	1.73
Capital Fund	(15.89)	9.07	25.91
Reserves	NA	NA	NA
EPS (Rs.)	NA	NA	NA
Book Value (Rs.)	NA	NA	NA

Lanco Institute of General Humanitarian Trust

Lanco Institute of General Humanitarian Trust (“LIGHT”) was incorporated on April 20, 2000. The registered office of LIGHT is located at Lanco House, 141, Avenue 8, Banjara Hills, Hyderabad – 500 034. LIGHT is the corporate social responsibility arm of the Lanco Group.

The objectives of the LIGHT are to contribute in the fields of health care, drinking water supply, education, sports and livelihood programmes to enhance employment and incomes among rural people.

Shareholding Pattern

LIGHT does not have a share capital.

Board of Trustees

The Board of Trustees of the Trust are as below:

Sl No.	Name of the Trustee	Designation
1.	L. Rajagopal	Chairman
2.	Suresh Chukkapalli	Managing Trustee
3.	L. Madhusudhan Rao	Trustee
4.	G. Bhaskara Rao	Trustee
5.	L. Sridhar	Trustee
6.	Y. Harish Chandra Prasad	Trustee

Past financial performance

(Amount in Rs. millions)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Total Income	6.71	5.91	7.55
Excess of Income over Expenditure	(0.54)	0.37	0.04
Corpus Fund	0.01	0.01	0.01
Cumulative Excess of Income over Expenditure	0.62	0.99	1.03
EPS (Rs.)	NA	NA	NA
Book Value (Rs.)	NA	NA	NA

M/s. Larsco Estates

Larsco Estates, a partnership firm was formed as per the partnership deed executed dated May 21, 2003 with its office at C4, Road No. 8, Film Nagar, Hyderabad. The objects of the enterprise are to purchase, lease, acquire land, plots and construct houses, buildings, flats, farmhouses and resorts.

Capital and Profit Sharing Ratio as on October 9, 2006

Sl. No.	Name of the Partner	Capital and Profit Sharing Ratio
1.	L. Sridhar	50%
2.	L. Sirisha	50%

Partners as of October 9, 2006

Sl. No.	Name of the Partner
1.	L. Sridhar
2.	L. Sirisha

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. in Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income (excluding closing stock)	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Capital Fund	NIL	NIL	NIL
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	NIL	NIL	NIL

Note: The partnership has not been in operation from 2003 and accordingly, no accounts have been prepared for the same.

Lanco Anpara Power Private Limited

Lanco Anpara Power Private Limited was incorporated on June 12, 2006 with its registered office at 53 - C, Kabir Marg, Clay Square, Lucknow – 226 001, Uttar Pradesh, India.

The company is an SPV that was incorporated to implement the project of setting up the Anpara Power Project. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	7,900	50.00
2.	G. Bhaskara Rao	7,900	50.00
	Total	**15,800**	**100.00**

The Company proposes to hold 76% of the share capital of Lanco Anpara with the balance being held by LKPPL. For further details, please refer to the section titled "Description of Certain Important Project Contracts – Anpara Power Project" on page 94 of this Red Herring Prospectus.

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

As the company has been incorporated recently, no audited financial information is available for the same.

Lanco Power Transmission Private Limited

Lanco Power Transmission Private Limited was incorporated on September 19, 2006 with its registered office at 141, Lanco House, Avenue 8, Banjara Hills, Hyderabad - 500 034. The company was incorporated to carry on the business of transmission of electricity. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	5,000	50.00
2.	L. Sridhar	5,000	50.00
	Total	**10,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

As the company has been incorporated recently, no audited financial information is available for the same.

Details of Common Pursuits among Group Companies

There are no common pursuits between us, our Promoters, our Subsidiaries, our Associates and our Promoter Group companies that may give rise to a conflict of interest.

Companies Struck off from the register of the Registrar of Companies

The following companies forming part of our group companies have been struck off from the register of the relevant Registrar of Companies. They are:

1. Lanco Leasing Limited
2. Lanco Steels Limited
3. Tirumala Foundry Private Limited

The reason for their striking off these companies was that they had remained inoperative from the date of their incorporation.

Except as disclosed in the section titled "Outstanding Litigation – F. Companies Struck off from the RoC", there are no outstanding litigations, proceedings, defaults, non payment of statutory dues, over-dues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debenture, or tax liabilities against these two companies.

OUR SUBSIDIARIES AND ASSOCIATES

A. Subsidiaries

Aban Power Company Limited

The company was incorporated in the State of Tamil Nadu on March 6, 1997 and received the certificate of commencement of business on April 16, 1997. Its registered office is at 3rd Floor, 25 G.N. Chetty Road, T. Nagar, Chennai – 600 017, India.

The company was incorporated for setting up the Aban Power Plant towards which Aban entered into a PPA with TNEB for a period of 15 years. The company started its commercial operations in August 2005.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Genting Power (India) Limited	47,797,932	36.26
2.	Aban Ventures	4,783,200	3.63
3.	LITL	67,248,768	51.02
4.	Aban Loyd Chiles Offshore Limited	11,940,000	9.06
5.	Saley Abraham	16,653	0.01
6.	S.R Abraham	16,653	0.01
7.	D.R Abraham	13,084	0.01
8.	Reji Abraham	3,570	0.00
9.	V.S Rao	10	0.00
10.	N.V. Purandiran	20	0.00
11.	N.Venkatramanan	10	0.00
12.	L. Madhusudhan Rao	20	0.00
13.	G. Bhaskara Rao	20	0.00
14.	L. Sridhar	20	0.00
15.	G. Padmavathi	20	0.00
16.	L. Rajalakshmi	20	0.00
	Total	**131,820,000**	**100.00**

Shareholding pattern pre and post acquisition by LITL:

Sl. No.	Name of the Shareholder	Pre Reorganisation/ Acquisition		Post Reorganisation/ Acquisition	
1	Aban Ventures Private Limited	22,283,200	16.9%	4,783,200	3.6%
2	Genting Power (India) Limited	47,797,932	36.3%	47,797,932	36.3%
3	Century Investments Limited	34,273,200	26.0%	-	0.0%
4	Lanco Infratech Limited	15,471,309	11.7%	67,248,768	51.0%
5	Aban Loyd Chiles Offshore Limited	11,940,000	9.1%	11,940,000	9.1%
6	Saley Abraham	16,653	0%	16,653	0%
7	S.R Abraham	16,653	0%	16,653	0%
8	D.R Abraham	13,084	0%	13,084	0%
9	Third Millinnium Investments ltd	4,359	0%	-	0%
10	Reji Abraham	3,570	0%	3,570	0%
11	N.V. Purandiran	20	0%	20	0%
12	V.S Rao	10	0%	10	0%

Sl. No.	Name of the Shareholder	Pre Reorganisation/ Acquisition		Post Reorganisation/ Acquisition	
13	N.Venkatramanan	10	0%	10	0%
14	L. Madhusudhan Rao			20	0%
15	G. Bhaskara Rao			20	0%
16	L. Sridhar			20	0%
17	G. Padmavathi			20	0%
18	L. Rajalakshmi			20	0%
	Total	**131,820,000**	**100%**	**131,820,000**	**100%**

Board of Directors

Sl No.	Name	Designation
1.	Reji Abraham	Chairman
2.	V. Kanniappan	Director
3.	L. Madhusudhan Rao	Director
4.	G. Bhaskara Rao	Director
5.	G. Venkatesh Babu	Director
6.	Dr. R. Thillainathan	Director
7.	T.S. Ong	Director
8.	Ho Chee Cheong	Director
9.	Dinesh Vij	Nominee Director
10.	P. Panduranga Rao	Whole Time Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the period ended June 30, 2005	For the period ended March 31, 2006
Sales & Other Income	NIL	NIL	983.46
PAT	NIL	NIL	33.54
Equity Capital	726.98	1,318.20	1,318.20
Reserves *	(4.40)	(7.15)	33.54
EPS (Rs.)	NIL	NIL	0.25
SBook Value (Rs.)	9.94	9.95	10.25

* *Net of revaluation reserves and miscellaneous expenditure not written off*

Lanco Amarkantak Power Private Limited

The company was originally incorporated as "KVK Energy Private Limited" in the State of Andhra Pradesh on February 22, 2001 and the name of the Company was changed to "Lanco Amarkantak Power Private Limited" on December 16, 2003. The registered office of the company is situated at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India.

The company is a SPV that was incorporated to implement the project of setting up the Lanco Amarkantak Power Plant. The company entered into a PPA with Power Trading Corporation for a period of 25 years. The company has not commenced any commercial operations yet.

Shareholding pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	Dr A.M.S. Raju	5,000	0.01
2.	K. Vijay Kumar	5,000	0.01
3.	LITL	144,398,950	87.27
4.	KVK Energy and Infrastructure Limited	9,887,600	5.97
5.	L. Madhusudhan Rao	100	0.00
6.	G. Bhaskara Rao	100	0.00
7.	DEG	11,159,725	6.74
	Total	**165,456,475**	**100.00**

The company has entered into certain definitive agreements with DEG and KVK and for further details please refer to the section titled "History and Corporate Structure – Shareholders and JV Agreements" on page 123 of the Red Herring Prospectus.

Board of Directors

Sl No.	Name	Designation
1	L. Madhusudhan Rao	Chairman
2	G. Bhaskara Rao	Director
3	G. Venkatesh Babu	Director
4	K. Vijaya Kumar	Director
5	A.M.S. Raju	Director
6	K. Raja Gopal	CEO & Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	112.70	782.47
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	4.20	9.92	9.92

Lanco Hills Technology Park Private Limited

The company was originally incorporated as "Lanco Technologies Private Limited" on September 7, 2004 and subsequently renamed as "Lanco Technology Park Private Limited" on June 7, 2005. The name of the company was further changed to "Lanco Mantri Technology Park Private Limited" on November 24, 2005 and finally to "Lanco Hills Technology Park Private Limited" on July 6, 2006.

The company was incorporated as SPV for the purpose of developing a 100 acre IT Park in Hyderabad, Andhra Pradesh. The company has not commenced any commercial operations yet.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1	G. Bhaskara Rao	50	0.00
2.	LITL	45,397,500	99.99
3.	L. Sridhar	50	0.00
4.	Mantri Developers Private Limited	2,400	0.01
	Total	**45,400,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1	L. Madhusudhan Rao	Director
2	G. Bhaskara Rao	Director
3	G. Venkatesh Babu	Director
4	D.N. Reddy	Director
5	Sushil P. Mantri	Director
6	T.V. Manjunath	Director

Audited Financial Results for the Last Three Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Income/ Revenue	NA	NIL	42.82
Profit / (Loss) after Taxation	NA	NIL	(1.43)
Equity Capital	NA	0.10	0.10
Share Application Money	NA	NIL	266.40
Reserves *	NA	(0.02)	(1.43)
EPS (Rs.)	NA	NA	(141.63)
Book Value (Rs.)	NA	8.47	2,665.0

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Lanco Electric Utility Limited

The company was incorporated on March 6, 2000 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. Lanco Electric Utility obtained its certificate for commencement of business on March 27, 2000. The main business of the company is power trading.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	12,400	0.06%
2.	L. Rajagopal	12,500	0.06%
3.	L. Madhusudhan Rao	12,400	0.06%
4.	L. Sridhar	12,400	0.06%
5.	L. Padma	100	0.00%
6.	G. Padmavathi	100	0.00%
7.	Y. Harish Chandra Prasad	100	0.00%
8.	LITL	21,173,520	99.76%
	Total	**21,223,520**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	49.83
PAT	NIL	NIL	(0.68)
Equity Capital	16.23	16.23	212.24
Reserves *	NIL	NIL	(2.11)
EPS (Rs.)	NIL	NIL	(0.03)
Book Value (Rs.)	9.86	9.86	9.90

* *Net of revaluation reserves and miscellaneous expenditure not written off*

Lanco Green Power Private Limited

The company was incorporated on March 21, 2002 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034, India.

It was incorporated to implement the Budhil Power Project and the company entered into a PPA with Power Trading Corporation for a period of 35 years. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	2,500	0.01
2.	G. Bhaskar Rao	2,500	0.01
3.	L. Sridhar	2,500	0.01
4.	L. Rajagopal	2,500	0.01
5.	LITL	35,400,000	99.96
	Total	**35,410,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director
4.	D. Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	252.60
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	7.02	1.02	10.00

Clarion Power Corporation Limited

The company was originally incorporated as "Heritage Agritech Limited" on January 23, 1996. The name of the company was subsequently changed to "Clarion Industries Limited" on January 27, 1997 and then to "Clarion Power Corporation Limited" on July 17, 1997. Its registered office is at Lanco House, 141, Avenue #8, Road No. 2, Banjara Hills, Hyderabad – 500 034, India.

The company was incorporated to set up the Clarion Power Plant and the company entered into a PPA with APTRANSCO for a period of 20 years for the sale of the entire power generated by the Clarion Power Plant. It started its commercial operations in January 2004.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	100	0.00
2.	L. Sirisha	100	0.00
3.	L.V. Rama Naidu	100	0.00
4.	L. Madhusudhan Rao	77,100	0.52
5.	G. Bhaskar Rao	77,600	0.52
6.	L. Sridhar	77,600	0.52
7.	L. Rajagopal	78,100	0.53
8.	Y. Harish Chandra Prasad	111,560	0.75
9.	LITL	12,771,243	86.01
10.	Dr. K. Srinivasa Rao	200,000	1.35
11.	Dr. N.B. R Prasad	340,000	2.29
12.	Dr. Prasada Rao V.D.M Ravella	480,000	3.23
13.	Dr. Upendranath Nimmagadda	635,000	4.28
	Total	**14,848,503**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director
4.	G. Venkatesh Babu	Director
5.	K.K.V. Nagaprasad	Director and CEO

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales and Other Income	15.21	159.35	197.10
PAT	0.12	(24.11)	0.49
Equity Capital	141.01	148.48	148.48
Reserves *	(0.42)	(24.39)	(23.77)
EPS (Rs.)	0.01	(1.62)	0.03
Book Value (Rs.)	9.97	8.36	8.40

* *Net of revaluation reserves and miscellaneous expenditure not written off*

Rithwik Energy Systems Limited

The company was incorporated on December 22, 1999 to set up the Rithwik Power Plant. Its registered office is at Lanco House, 141, Avenue #8, Road No. 2, Banjara Hills, Hyderabad – 500 034, India.

The company has entered into a PPA with AP Transco for a period of 20 years for sale of entire power generated by the Rithwik Power Plant. It started its commercial operations in September 2002.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Padma	100	0.00
2.	L. Sirisha	100	0.00
3.	L.V. Rama Naidu	100	0.00
4.	L. Madhusudhan Rao	100	0.00
5.	G. Bhaskar Rao	100	0.00
6.	L. Sridhar	100	0.00
7.	L. Rajagopal	100	0.00
8.	Y. Harish Chandra Prasad	445,000	0.75
9.	Chukkapally Sunitha	240,000	2.66
10.	Chukkapally Madhumita	340,000	3.77
11.	Dr. Prasada Rao V.D.M Ravella (NRO)	700	0.01
12.	Dr. N.B. R Prasad	76,000	0.84
13.	LITL	5,107,773	56.67
14.	Dr. K. Srinivasa Rao	228,500	2.54
15.	Dr. N.B. R Prasad	641,100	7.11
16.	Dr. Prasada Rao V.D.M Ravella	227,700	2.53
17.	Dr. Upendranath Nimmagadda	728,239	8.08
18.	Sunanda Ravella	488,600	5.42
19.	K. Anjanadevi	488,600	5.42
	Total	**9,012,912**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director
4.	M. Gopalakrishna	Director
5.	G. Venkatesh Babu	Director
6.	K.K.V. Nagaprasad	Whole-time Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	155.57	153.04	112.76
PAT	14.79	10.55	0.47
Equity Capital	90.13	90.12	90.13
Reserves *	15.27	25.66	26.21
EPS (Rs.)	1.64	1.17	0.05
Book Value (Rs.)	11.67	12.85	12.91

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Vamshi Industrial Power Limited

The company was incorporated as on February 6, 2002 in the State of Andhra Pradesh with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. It was incorporated to implement the project of setting up the Drinidhar Power Project and the Upper Khauli Power Project. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Sirisha	3,500	0.05
2.	L. Madhusudhan Rao	3,500	0.05
3.	G. Bhaskar Rao	8,000	0.10
4.	L. Sridhar	3,500	0.05
5.	L. Rajagopal	3,500	0.05
6.	G. Padmavathi	3,500	0.05
7.	L. Rajalakshmi	3,500	0.05
8.	LHPVL	7,333,800	99.60
	Total	**7,362,800**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Bhaskara Rao	Director
2.	Dandamudi Venkateswara Rao	Director
3.	M. Keshav Reddy	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.50	0.50	73.63
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	5.20	5.20	9.97

Vamshi Hydro Energies Private Limited

The company was originally incorporated as "Bonzer International Private Limited" on February 26, 1996 and subsequently renamed as "Vamshi Hydro Energies Private Limited" on February 22, 2002. Its registered office is situated at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The company has not commenced any commercial operations yet.

It was incorporated to implement the Baner-III Project and IKU-II Project.

LANCO
INSPIRING GROWTH

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskar Rao	6,400	0.09
2.	LHPVL	7,089,000	99.81
3.	Lanco Group Limited	7,200	0.10
	Total	**7,102,600**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	Dandamudi Venkateswara Rao	Director
3.	M. Keshav Reddy	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	QNIL	NIL	NIL
Equity Capital	0.22	0.22	71.03
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	7.84	7.84	9.99

Lanco Hydro Power Ventures Private Limited

The company was originally incorporated as "Hydro Power Ventures India Private Limited" on January 31, 2005 and subsequently renamed as "Lanco Hydro Power Ventures Private Limited" on September 1, 2005 with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034. The business of the company is to promote establish, run, finance, invest, generate, develop, distribute and supply electricity by setting up power plants. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	L. Sridhar	100	0.00
3.	Gold Stone Solution Limited	3,769,400	8.86
4.	LEUL	10,650,000	25.02
5.	The Company	28,140,401	66.12
	Total	**42,560,001**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NIL	NIL
PAT	NA	NIL	NIL
Equity Capital	NA	0.10	287.49
Reserves	NA	NIL	NIL
EPS (Rs.)	NA	NIL	NIL
Book Value (Rs.)	NA	(2.15)	9.78

Lanco Hydro Energies Private Limited

The company was incorporated on February 21, 2006 with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034.

It is a SPV that was incorporated to implement the Rambara Power Project, the Gaurikund Power Project and Phata-Byung Power Project in the State of Uttaranchal. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	L. Sridhar	100	0.01
3.	LHPVL	18,094,800	99.99
	Total	**18,095,000**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Bhaskara Rao	Director
3.	Dandamudi Venkateswara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NA	NA	NIL
PAT	NA	NA	NIL
Equity Capital	NA	NA	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	NA	NA	8.59

Lanco Energy Private Limited

The company was incorporated on June 26, 2000 with its registered office at Lanco House, 141, Avenue #8, Banjara Hills, Hyderabad – 500 034.

It is a SPV that was incorporated to implement the Teesta VI Power Project. The company has not commenced any commercial operations yet.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	L. Madhusudhan Rao	2,600	0.01
2.	G. Bhaskar Rao	2,700	0.01
3.	L. Sridhar	2,600	0.01
4.	L. Rajagopal	2,600	0.01
5.	G. Padmavathi	100	0.00
6.	L. Padma	100	0.00
7.	LITL	23,950,000	99.96
	Total	**23,960,700**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Director
2.	Dandamudi Venkateswara Rao	Director and CEO
3.	Brijendra Kumar Sharma	Director
4.	G. Bhaskara Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.11	0.11	0.11
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.21	8.21	8.21

Neptune Projects Private Limited

The company was incorporated in Andhra Pradesh on February 27, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet and holds certain land admeasuring 1 acre 59 guntas situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as of October 9, 2006

Sl No.	**Name of the Shareholder**	**No. of Shares**	**Percentage of Shareholding**
1.	L. Sridhar	100	0.01
2.	Y. Tejaswani	5,000	0.57
3.	L. Sridhar	100	0.01
4.	LITL	878,990	99.41
	Total	**884,190**	**100.00**

Board of Directors

Sl No.	**Name**	**Designation**
1.	G. Lakshmi Sirisha	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	**For the fiscal year ended March 31, 2004**	**For the fiscal year ended March 31, 2005**	**For the fiscal year ended March 31, 2006**
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.14	9.14	9.14

Uranus Projects Private Limited

The company was incorporated in the State of Andhra Pradesh as on February 27, 2004 having its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad –500 034. The company was incorporated to carry on the business of builders, engineers, architects, interior designers, contractors for the construction of bridges, culverts, roads, highways and expressways. The company has not commenced any commercial operations yet and holds certain land admeasuring 2 acres 8 guntas situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as of October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Padmavathi	100	0.01
2.	G. Bhaskara Rao	100	0.02
3.	LITL	624,410	99.97
	Total	**624,610**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Lakshmi Sirisha	Director
2.	G. Padmavathi	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.02	9.02	9.02

Ruby Agro Farms Private Limited

Ruby Agro Farms Private Limited was incorporated in Andhra Pradesh on January 27, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet and holds certain land admeasuring 4 acres 20 guntas situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	Y. Tejaswani	5,000	0.23
3.	L. Madhusudhan Rao	100	0.00
4.	L. Sridhar	100	0.00
5.	LITL	2,210,510	99.77
	Total	**2,215,810**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sridhar	Director
2.	G. Lakshmi Sirisha	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.01	9.01	9.01

Coral Agro Estates Private Limited

The company was incorporated in Andhra Pradesh on December 30, 2003 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet and holds certain land admeasuring 5 acres situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	L. Padma	100	0.00
3.	L. Rajagopal	100	0.01
4.	L. Madhusudhan Rao	100	0.01
5.	LITL	1,609,580	99.98
	Total	**1,609,980**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Padma	Director
2.	G. Lakshmi Sirisha	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.96	8.96	8.96

Garnet Agro Estates Private Limited

The company was incorporated in Andhra Pradesh as on January 2, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet and holds certain land admeasuring 3 acres 14 guntas situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	L. Sridhar	100	0.01
3.	L. Rajagopal	100	0.01
4.	LITL	1,745,740	99.98
	Total	**1,746,040**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sridhar	Director
2.	G. Padmavathi	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NA	NA	NIL
EPS (Rs.)	NA	NA	NIL
Book Value (Rs.)	8.96	8.96	8.96

Diamond Farms Private Limited

The company was incorporated in Andhra Pradesh on January 27, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet and holds certain land admeasuring 3 acres 10 guntas situated at Kokapet Village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Padmavathi	100	0.03
2.	G. Bhaskar Rao	100	0.03
3.	LITL	281,710	99.94
	Total	**281,910**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	G. Padmavathi	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	8.99	8.99	8.99

Pearl Farms Private Limited

The company was incorporated in Andhra Pradesh on January 27, 2004 with its registered office at 141, Avenue 8, Road No. 2, Banjara Hills, Hyderabad – 500 034. The company was incorporated to cultivate, grow, produce, process or deal in agricultural products, vegetables products of floriculture and horticulture, herbs, carry on the business as dairy men and to undertake the business of dealing in poultry, cattle, sheep, goat, mutton and meat products. The company has not commenced any commercial operations yet and holds certain land admeasuring 6 acres 15 guntas situated at Kokapet village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.01
2.	L. Sirisha	100	0.01
3.	L. Madhusudhan Rao	100	0.01
4.	LITL	1,021,950	99.97
	Total	**1,022,250**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	L. Sirisha	Director
2.	L. Sridhar	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	NIL	NIL	NIL
PAT	NIL	NIL	NIL
Equity Capital	0.10	0.10	0.10
Reserves *	NIL	NIL	NIL
EPS (Rs.)	NIL	NIL	NIL
Book Value (Rs.)	9.01	9.01	9.01

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

B. Associates

Lanco Kondapalli Power Private Limited

LKPPL was originally incorporated in the State of Andhra Pradesh as “Lanco Power Limited” on August 21, 1995. The name of the company was subsequently changed to “Kondapalli Power Corporation Limited” on April 1, 1997 and thereafter to “Lanco Kondapalli Power Limited” on June 21, 1999. The name was further changed to “Lanco Kondapalli Power Private Limited” on July 11, 2001. Its registered office is at Lanco House, 141, Avenue #8, Road #2, Banjara Hills, Hyderabad – 500 034, Andhra Pradesh, India.

The company was an SPV that was incorporated for setting up the Kondapalli Power Plant at Kondapalli, Vijayawada in the State of Andhra Pradesh. The company has entered into PPA with AP Transco for a period of 15 years from the date of COD. The company has not commenced any commercial operations yet.

Shareholding Pattern as on October 9, 2006

Sl No.	Name of the Shareholder	No. of Shares	Percentage of Shareholding
1.	G. Bhaskara Rao	100	0.00
2.	L.V Rama Naidu	100	0.00
3.	L. Madhusudhan Rao	100	0.00
4.	L. Sridhar	100	0.00
5.	L. Padma	100	0.00
6.	G. Padmavathi	100	0.00
7.	L. Rajalakshmi	100	0.00
8.	LITL	115,260,000	33.90
9.	Globeleq	85,340,000	25.10
10.	Web Energy Limited	102,000,000	30.00
11.	Doosan Heavy Industries & Construction Company Limited	37,400,000	11.00
	Total	**340,000,700**	**100.00**

Shareholding pattern pre and post acquisition by LITL:

Sl. No.	Name of the Shareholder	Pre Reorganisation/ Acquisition		Post Reorganisation/ Acquisition	
1	Web Energy Limited	102,000,000	30%	102,000,000	30%
2	Third Millinnium Investments Limited	91,460,000	27%	-	0%
3	Globeleq	85,340,000	25%	-	0%
4	Doosan Heavy Industries & Construction Company Limited	37,400,000	11%	37,400,000	11%
5	**Lanco Infratech Limited**	**23,800,000**	7%	**200,600,000**	59%
6	G. Bhaskara Rao	100	0%	100	0%
7	L.V Rama Naidu	100	0%	100	0%
8	L. Madhusudhan Rao	100	0%	100	0%
9	L. Sridhar	100	0%	100	0%
10	L. Padma	100	0%	100	0%
11	G. Padmavathi	100	0%	100	0%
12	L. Rajalakshmi	100	0%	100	0%
	Total	**340,000,700**	**100%**	**340,000,700**	**100%**

Board of Directors

Sl No.	Name	Designation
1.	L. Madhusudhan Rao	Chairman
2.	G. Bhaskara Rao	Director
3.	L. Sridhar	Director
4.	P. Panduranga Rao	Director and CEO
5.	T. S. Ong	Director
6.	R. Thillainathan	Director
7.	Ho Chee Cheong	Director
8.	Arun Sen	Director
9.	Faisal Chaudhury	Director
10.	Jae Jong Choi	Director
11.	K. Jayabharath Reddy	Independent Director
12.	Dr. Pamidi Kotaiah	Independent Director
13.	R.K. Chavali	Nominee Director, IFCI
14.	D. Ravi	Nominee Director, PFC
15.	V.V. Warty	Nominee Director, SBI

Audited Financial Results for the Last Three Fiscal Years

(Amount in Rs. Million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	5,625.26	5,681.16	5,650.48
PAT	599.90	1,077.12	1,067.85
Equity Capital	3,400.01	3,400.01	3,400.01
Reserves *	291.38	445.86	583.26
EPS (Rs.)	1.76	3.17	3.14
Book Value (Rs.)	10.86	11.31	11.72

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

Genting Lanco Power (India) Private Limited

Genting Lanco Power (India) Private Limited was originally incorporated as "Eastern Generation Services (India) Private Limited" in the State of National Capital Territory of Delhi on September 9, 1997. The registered office of the company was shifted from National Capital Territory of Delhi to Andhra Pradesh on December 10, 2004 and subsequently the name of the company was changed to "Genting Lanco Power (India) Private Limited" on February 23, 2005. The registered office of Genting Lanco is situated at Kondapalli IDA, Kondapalli- 521228, Ibrahimpatnam Mandal, Krishna District, Andhra Pradesh. The main object of the Genting Lanco is to carry on the business of acquiring, setting up, running, operating and maintaining power plants.

Shareholding Pattern as on October 9, 2006

Sl No	Name	No. of Shares	Percentage of Shareholding
1.	LITL	486,702	26%
2.	Genting Power (Swiss) GMBH	1,385,226	74%
	Total	**1,871,928**	**100%**

Board of Directors

Sl No.	Name	Designation
1.	Dr. R. Thillainathan	Director
2.	Chong Kin Leong	Director
3.	P. Panduranga Rao	Director

Audited Financial Results for the Last Three Fiscal Years

(Rs. in million)

Particulars	For the fiscal year ended March 31, 2004	For the fiscal year ended March 31, 2005	For the fiscal year ended March 31, 2006
Sales & Other Income	54.93	74.17	57.84
PAT	16.13	16.93	18.26
Equity Capital	18.72	18.72	18.72
Reserves *	34.58	51.51	37.75
EPS (Rs.)	8.61	9.04	9.75
Book Value (Rs.)	28.47	37.52	30.17

* *Net of revaluation reserves and miscellaneous expenditure not written off.*

C. Other Companies for Proposed Investments

Nagarjuna Power Corporation Limited

The company was incorporated in the State of Karnataka on February 23, 1996 and received the certificate of commencement of business on March 14, 1996. Its registered office is at No.510, 3rd A Cross, 2nd Main, 3rd Block, Raj Mahal Vilas – II, Dollar Colony, Bangalore – 560 094, India.

The company was incorporated for setting up the Nagarjuna Power Project. NPCL entered into PPA with five ESCOMs of Karnataka for a period of 30 years. The company has not commenced any commercial operations yet.

Shareholding of the Company

Sl No.	Name of the Shareholder	No. of Shares of Rs. 10 each	Percentage of Shareholding
1	KRR Holdings Private Limited	2,010,005	3.04
2.	Nagarjuna Fertilizers and Chemicals Limited	64,000,000	96.90
3.	K.S.Raju	6	0.00
4.	K.Rahul Raju	5	0.00
5.	A. Vyasa Maheswara Rao	10	0.00
6.	A.N. Chidambar	5	0.00
7.	Nagarjuna Holdings Private Limited	20,023	0.03
8.	Kanumuru Education & Knowledge Limited	20,000	0.03
9.	Nagarjuna Management Services Private Limited	46	0.00
	Total	**66,050,100**	**100.00**

Board of Directors

Sl No.	Name	Designation
1.	K.S. Raju	Chairman
2.	R. Krishnan	Director
3.	G.S. Raju	Director
4.	A.N. Chidamber	Director
5.	A.Vyasa Maheswara Rao	Director
6.	L. Madhusudhan Rao	Director
7.	G. Bhaskara Rao	Director
8.	G. Venkatesh Babu	Alternate Director to Mr. L. Madhusudhan Rao

Financial Results of the Last Five Fiscal Years

P.MURALI & CO. have reviewed the below summary of Assets & Liabilities of Nagarjuna as at March 31, 2006, 2005, 2004, 2003 and 2002 of Nagarjuna Power Corporation Limited (NPCL), with the Financial Statements of NPCL as on the respective dates duly audited by M/s M. Bhaskar Rao & Co., Chartered Accountants, Nagarjuna Power Corporation Limited (NPCL) and based on the information and explanations given to them by the management of Lanco Infratech Limited (the Company), found the same to be in accordance therewith.

They also report that in the event of acquisition of substantial stake in NPCL, by the Company, all the assets and liabilities of NPCL will be included in the Consolidated Balance Sheet of the Company and accordingly Miscellaneous Expenditure of Rs. 352.7 Million, not represented by any asset, existing in the books of NPCL as on March 31, 2006 will have to be treated as Goodwill on acquisition.

Further they report that as NPCL is under construction/project stage, and it does not have Profit and Loss Account for the financial year ended March 31, 2006, 2005, 2004, 2003 and 2002, they are unable to comment on the profits or losses of NPCL and any treatment thereof.

Summary of Assets and Liabilities of Nagarjuna Power Corporation Limited as at

(Rs. in Millions)

		March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**Fixed Assets**					
	Gross Block	1.6	1.7	3.9	4.1	4.8
	Less : Depreciation	1.2	1.1	1.6	1.4	1.2
	Net Block	0.4	0.6	2.3	2.7	3.6
	Add: Expenditure Pending Allocation	305.4	289.3	273.6	272.0	261.7
	Total	**305.8**	**289.9**	**275.9**	**274.7**	**265.3**
B.	**Investments**	**-**	**-**	**352.7**	**352.2**	**352.2**
C.	**Current Assets, Loans and Advances**					
	Cash and Bank Balances	0.3	0.5	0.2	0.8	0.2
	Loans and Advances	56.3	56.4	15.3	15.9	16.8
	Total	**56.6**	**56.9**	**15.5**	**16.7**	**17.0**
D.	**Current Liabilities and Provisions**	**52.2**	**36.6**	**1.7**	**1.2**	**2.0**
E.	**Net worth (A+B+C-D)**	**310.2**	**310.2**	**642.4**	**642.4**	**632.5**
	Net worth represented by:					
F.	**Share Capital**	**660.5**	**660.5**	**0.5**	**0.5**	**0.0**
G.	**Share Application Money**	**2.4**	**2.4**	**642.4**	**642.4**	**633.0**
H.	**Miscellaneous Expenditure *** (To the extent not written off or adjusted)	**352.7**	**352.7**	**0.5**	**0.5**	**0.5**
I.	**Net Worth (F+G-H)**	**310.2**	**310.2**	**642.4**	**642.4**	**632.5**

* *Includes Loss on Investments Rs. 352.23 Million*

RELATED PARTY TRANSACTIONS

For details please refer to the annexure titled 'Related Party Transactions' in the section titled "Financial Statements" beginning on page F-1 of this Red Herring Prospectus. Apart from the same, there are no other related party transactions as relates to the Company.

Details pertaining to purchase of Equity Shares and Share Application Money for the financial year 2006:

a) Purchase of Equity Shares

Purchase of equity shares of	Consideration Paid to	(Rs. in Millions)
Lanco Electric Utility Limited	Lanco Electric Utility Limited (Direct subscription)	100.30
Lanco Hydro Power Ventures Private Limited	Lanco Hydro Power Ventures Private Limited (Direct subscription)	249.70
Subtotal		**350.00**
Lanco Amarkantak Power Private Limited	Lanco Hydro Power Ventures Private Limited (Direct Subscription)	**304.20**

b) Details of Share Application Money

Receiver of Funds	Relationship	(Rs. in Millions)
Lanco Green Power Private Limited	Subsidiary	69.50
Lanco Mantri Technology Park Private Limited	Subsidiary	143.90
Lanco Hydro Power Ventures Private Limited	Subsidiary	43.11
Sub Total		**256.51**
Clarion Power Corporation Limited	Enterprise where significant influence exists	50.16
Lanco Amarkantak Power Private Limited	Enterprise where significant influence exists	10.50
Coral Agro Estates Private Limited	Enterprise where significant influence exists	7.70
Lanco Energy Private Limited	Enterprise where significant influence exists	12.50
Lanco Property Management Private Limited	Enterprise where significant influence exists	1.44
Pearl Farms Private Limtied	Enterprise where significant influence exists	36.23
Ruby Agro Farms Private Limited	Enterprise where significant influence exists	0.05
Rithwik Energy Systems Limited	Enterprise where significant influence exists	6.00
Sub Total		**124.58**

c) Refund of Share Application Money

Receiver of Funds	Relationship	(Rs. in Millions)
Garnet Agro Estates Private Limited	Enterprise where significant influence exists	**14.50**

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by our Board of Directors and approved by our shareholders at their discretion and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company.

For details of the dividends declared by the Company in respect of the five financial years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002, please refer to the annexure titled 'Statement of Dividend Declared' in the section titled "Financial Statements" beginning on page F-1 of this Red Herring Prospectus.

SECTION V : FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Appendix I	**–**	**Summary Restated Financial Statements.**
Appendix II	**–**	**Summary Consolidated Restated Financial Statements.**
Appendix III	**–**	**Consolidated audited Financial Statements as per Indian GAAP.**
Appendix IV	**–**	**APCL Financial Statements as per Indian GAAP.**
Appendix V	**–**	**LKPPL Financial Statements as per Indian GAAP.**

Auditors' Report

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

Dear Sirs,

A. We have examined the books and account of Lanco Infratech Limited ('LITL' or 'the Company') for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 (hereinafter referred to as 'five financial years ended March 31, 2006'), being the last date to which the accounts of the Company have been made up. We have also examined the books and account of subsidiary companies and associate companies including Genting Lanco Power (India) Private Limited which has become an associate of the Company subsequent to March 31, 2006:

(i) Lanco Mantri Technology Park Private Limited ('LMTPPL') for the period starting from September 7, 2004 to March 31, 2005 and for the financial year ended March 31, 2006;

(ii) Lanco Kondapalli Power Private Limited ('LKPPL') for the five financial years ended March 31, 2006;

(iii) Aban Power Company Limited ('APCL') for the three financial years ended March 31, 2004; for the fifteen months ended June 30, 2005 and for the nine months ended March 31, 2006; and

(iv) Genting Lanco Power (India) Private Limited ('GLPIPL') for the five financial years ended March 31, 2006.

We have carried out the examination of the financial statements of LITL for the four financial years ended March 31, 2005, LMTPPL for the period starting from September 7, 2004 to March 31, 2005, and APCL for the three financial years ended March 31, 2004, for the fifteen months ended June 30, 2005 and for the nine months ended March 31, 2006 as per the instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares of the Company.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines , 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company,

we report that the profits of the Company, LKPPL, APCL and GLPIPL and loss of LMTPPL for the above years are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the Accounting Policies and notes given below.

In accordance with para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of subsidiary company and associate companies included below:

(a) Subsidiary Company

LMTPPL for the period starting from September 7, 2004 to March 31, 2005 and for the financial year ended March 31, 2006; as Annexure N.

(b) Associate Companies

(i) LKPPL for the five years ended March 31, 2006; as Annexure O,

(ii) APCL for the three years ended March 31, 2004, for the fifteen months ended June 30, 2005 and for the nine months ended March 31, 2006; as Annexure P, and

(iii) GLPIPL for the five years ended March 31, 2006, as Annexure Q.

The relevant restated summary financial statements for these years/periods have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

The relevant restated summary financial statements of the Company's subsidiary and associate companies have not been consolidated into the attached summary statements of the Company and are enclosed as Annexures N to Q. The beneficial ownership of the Company, either through its own investments or together with subsidiary and associates, as at March 31, 2006 except stated otherwise is as follows:

Company	As at	Beneficial Ownership (%)
LMTPPL	March 31, 2006	75.00
LKPPL	March 31, 2006	7.00
APCL	March 31, 2006	11.74
GLPIPL	May 31, 2006	26.00

Accordingly, the assets and liabilities and profit and loss as applicable, of such subsidiary and associates, the aforementioned financial statements to the extent of the beneficial interest, concern the members of the Company as at those dates.

B. **Other Financial Information**

We have examined the following information of the Company for the five financial years ended March 31, 2006, unless otherwise stated, proposed to be included in the Offer Document/Prospectus, approved by you and forwarded to us by you/your merchant bankers and annexed to this report:

i. Statement of dividend declared enclosed as Annexure A.

ii. Cash Flow Statement enclosed as Annexure B.

iii. Related Party Transactions enclosed as Annexure C.

iv. Details of items of Other Income enclosed as Annexure D.

v. Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure E.

vi. Statement of Secured Loans and Unsecured Loans as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 enclosed as Annexure F.

vii. Details of Sundry Debtors as at March 31, 2006 enclosed as Annexure G.

viii. Details of Loans and Advances as at March 31, 2006 enclosed as Annexure H.

ix. Aggregate book value and market value of quoted investments as at March 31, 2006 enclosed as Annexure I.

x. Capitalization statement as at March 31, 2006 of the Company enclosed as Annexure J.

xi. Statement of tax shelter enclosed as Annexure K.

xii. Segmental Information enclosed as Annexure L.

xiii. Disclosure pursuant to Accounting Standard 7 (Revised) as Annexure M.

The preparation and presentation of the restated summary financial statements as mentioned in paragraph (A) above, based on the audited financial statements of the respective companies in accordance with the provisions of the Companies Act, 1956 and the financial information as mentioned in paragraph (B) above are the responsibility of the management of the Company and its subsidiary and associates.

In our opinion, the financial information of the Company to this report, mentioned in paragraph (A) & (B) above, read with respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities & Exchange Board of India (Disclosure & Investor Protection Guidelines, 2000) and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956. Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if it had been carried out in accordance with those standards.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: June 16, 2006

APPENDIX - I

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Income/Revenue					
Operating Income	1,514.62	1,770.98	1,169.99	1,828.92	1,562.57
Other Income	12.76	12.10	13.73	10.30	70.86
	1,527.38	**1,783.08**	**1,183.72**	**1,839.22**	**1,633.43**
Expenditure					
Construction and Operating Expenses	1,258.47	1,538.29	977.23	1,465.91	1,324.83
Administration and Other Expenses	27.55	80.41	50.12	77.40	91.65
Employees Remuneration and Benefits	16.24	7.74	21.64	52.72	49.69
Finance Charges	36.26	40.95	52.55	26.54	31.21
Depreciation	18.91	21.27	23.04	23.87	17.17
Amortisation of Miscellaneous Expenditure	-	-	0.02	0.01	0.01
Prior Period Adjustments	38.96	-	-	-	-
	1,396.39	**1,688.66**	**1,124.60**	**1,646.45**	**1,514.56**
Profit Before Taxation	**130.99**	**94.42**	**59.12**	**192.77**	**118.87**
Provision for Taxation:					
Current	40.00	22.60	19.33	14.70	12.40
Deferred	(6.85)	(29.61)	(2.45)	13.82	-
Fringe Benefit	0.24	-	-	-	-
Profit After Taxation as per audited statement of accounts (A)	**97.60**	**101.43**	**42.24**	**164.25**	**106.47**
Adjustments on account of incorrect accounting policies [Refer Note III(ii)(1)(a)]	-	(4.88)	-	(4.97)	(54.87)
Adjustments on account of audit qualifications [Refer Note III(ii)(1)(b)]	-	(1.86)	(2.28)	(4.63)	(0.74)
Impact on account of material adjustments and prior period items [Refer Note III(ii)(1)(c)]	38.96	-	-	(30.11)	1.30
Total Adjustments	**38.96**	**(6.74)**	**(2.28)**	**(39.71)**	**(54.31)**
Tax impact on adjustments	-	2.27	0.77	13.37	18.28
Total adjustments net of tax impact (B)	**38.96**	**(4.47)**	**(1.51)**	**(26.34)**	**(36.03)**
Adjusted profits (A+B)	**136.56**	**96.96**	**40.73**	**137.91**	**70.44**
Surplus brought forward from Previous Year	365.68	268.72	227.99	243.36	221.08
Available for Appropriation	**502.24**	**365.68**	**268.72**	**381.27**	**291.52**
Proposed Interim/Final Dividend	-	-	-	80.77	-
General Reserve	-	-	-	16.55	-
Capital Reserve	-	-	-	-	48.16
Deferred Tax Liability- Opening	-	-	-	55.96	-
Adjusted available surplus carried to Balance Sheet	**502.24**	**365.68**	**268.72**	**227.99**	**243.36**

Notes: The accompanying significant accounting policies and notes are an integral part of this statement.

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	208.43	196.06	346.66	395.20	390.24
	Less : Depreciation	85.30	66.50	83.82	75.03	52.61
	Net Block	**123.13**	**129.56**	**262.84**	**320.17**	**337.63**
B.	**Investments**	**1,262.84**	**622.47**	**824.03**	**457.74**	**469.44**
C.	**Current Assets, Loans and Advances**					
	Inventories	121.46	86.77	199.40	128.70	129.16
	Sundry Debtors	422.61	174.33	67.72	141.27	153.75
	Cash and Bank Balances	299.48	314.83	121.79	175.49	186.54
	Other Current Assets	1.63	2.36	5.52	19.41	16.99
	Loans and Advances	1,108.52	352.88	274.36	322.66	367.71
	Total	**1,953.70**	**931.17**	**668.79**	**787.53**	**854.15**
D.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	1,877.07	545.43	609.72	662.28	749.41
	Deferred Tax Liability	30.87	37.72	67.33	69.78	-
	Secured Loans	327.11	131.99	131.74	196.77	176.75
	Unsecured Loans	200.00	200.00	275.77	6.26	105.89
	Total	**2,435.05**	**915.14**	**1,084.56**	**935.09**	**1,032.06**
E.	**Net worth (A+B+C-D)**	**904.62**	**768.06**	**671.10**	**630.35**	**629.16**
	Net worth represented by:					
F.	**Share Capital**	307.69	76.92	76.92	76.92	76.92
G.	**Reserves and Surplus**					
	General Reserve	16.55	16.55	16.55	16.55	-
	Share Premium Account	35.24	266.01	266.01	266.01	266.01
	Capital Reserve	42.90	42.90	42.90	42.90	42.90
	Profit and Loss Account	502.24	365.68	268.72	227.99	243.36
	Total	**596.93**	**691.14**	**594.18**	**553.45**	**552.27**
H.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	-	-	-	0.02	0.03
I.	**Net Worth (F+G+H)**	**904.62**	**768.06**	**671.10**	**630.32**	**629.16**

Notes: The accompanying significant accounting policies and notes are an integral part of this statement.

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These 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.

Dividend 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.

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.

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 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.

Investments

Long term investments are valued at cost unless there is other than 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 gross of Tax Deducted at Source.

Inventories

Inventories, after providing for obsolescence, are valued as under:

a) Stores & Spares at cost or lower on a First In First Out basis.

b) Project and construction related Work-in-progress at cost or lower.

Retirement Benefits

Contributions to provident fund are charged to profit and loss account each year. Provision for Gratuity is 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 denominated in foreign currency 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 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.

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.

(ii) NOTES TO THE ACCOUNTS

1. Adjustments / Regroupings arising out of change in accounting policies, audit qualifications and prior period items.

(*Rs. in Millions)*

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Profit After Taxation as per audited statement of accounts – **(A)**	**97.60**	**101.43**	**42.24**	**164.25**	**106.47**
Adjustments on account of:					
I) Change in accounting policies					
On account of incorrect accounting policies *[Note (a) below]*	-	(4.88)	-	(34.41)	(54.87)
Tax impact on adjustments [Note (d) below]	**-**	1.64	-	11.58	18.47
Total Adjustments net of tax impact – (B)	**-**	**(3.24)**	**-**	**(22.83)**	**(36.40)**
II) Audit Qualifications					
On account of provision for doubtful debts, advances and deposits. [Note (b) below]	-	(1.86)	(2.28)	(4.63)	(0.74)
Tax impact on adjustments (Note (d) below)		0.63	0.77	1.56	0.25
Total Adjustments net of tax impact – (C)	**(1.23)**	**(1.51)**	**(3.07)**	**(0.49)**	
III) Prior Period Items					
Prior Period expenses [Note (c) below]	38.96	-	**-**	(0.67)	1.30
Tax impact on adjustments (Note (d) below)	**-**	**-**	**-**	0.23	(0.44)
Total Adjustments net of tax impact – (D)	**38.96**	**-**	**-**	**(0.44)**	**0.86**
Total Adjustments - Net of tax impact – (E) = (B + C + D)	**38.96**	**(4.47)**	**(1.51)**	**(26.34)**	**(36.03)**
Adjusted profit (A+E)	**136.56**	**96.96**	**40.73**	**137.91**	**70.44**

Notes:

a. (i) During the year ended March 31, 2005, the company had received an amount of Rs. 4.88 million as refund of excise duty relating to previous years which is transferred to opening Profit and Loss account.

(ii) During the year ended March 31, 2003, the company had received an amount of Rs. 4.97 million as refund of excise duty relating to previous years, which is transferred to opening Profit and Loss account. And an amount of Rs. 29.44 million being work in progress not billed up to March 31, 2006 was written off.

(iii) During the year ended March 31, 2002, the company had received an amount of Rs. 54.87 million as refund of excise duty relating to previous years which is transferred to opening Profit and Loss account.

The restatement items pertaining to refund of excise duty, were originally accounted for on receipt basis and not accrued at the time of lodging the refund claims. As this is not in conformity with the Indian GAAP provisions, these amounts have been restated to the respective years in which these claims were lodged. The effect of the restatements would be to decrease other income by Rs. 4.88 million, Rs. 4.97 million and Rs 54.87 million for the year ended March 31, 2005, 2003 and 2002, respectively with a corresponding decrease in the Profit and Loss Account balance.

The restatement relating to work in progress pertains to construction and operating expense of Rs. 29.44 million incurred during the year ended March 31, 2003 and shown as inventories. As the said amount was not recoverable, it has been written off in the year ended March 31, 2006 and shown as part of prior period expenses. The effect of the restatement would be to decrease prior period expenses by Rs. 29.44 million for the year ended March 31, 2006, increase Construction and Operating Expenses by Rs. 29.44 million for the year ended March 31, 2003 and correspondingly, decrease Inventories as at March 31, 2003.

As per requirements of SEBI (DIP) Guidelines, 2000 and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956, the above restatements have been disclosed as Adjustments on Account of Incorrect Accounting Policies in the Summary of Restated Profit and Loss Account.

b. On account of qualifications on the financial statements, adjustments on account of Provision for Doubtful Debts, Doubtful Security Deposits and Doubtful Advances have been made during the years ended March 31, 2005, *2004, 2003 and 2002.*

Certain balances of Sundry Debtors, Security Deposits and Loans and Advances pertaining to these years were considered good and recoverable, without obtaining confirmation from the respective parties. It was also disclosed as such in the Notes to the audited financial statements of these years. Keeping in view the subsequent developments and also considering the fact that these restated financials are being drawn for the first time, provisions have been made against these balances in the year ended March 31, 2006 and shown as part of prior period expenses. The provisions so made have been restated to the respective years. The effect of the restatements would be to increase Administration and Other Expenses by Rs. 1.86 million, Rs. 2.28 million, Rs. 4.63 million and Rs.0.74 million for the year ended March 31, 2005, 2004, 2003 and 2002, respectively with a corresponding cumulative decrease in Sundry Debtors and Loans and Advances as at March 31, 2006, March 31, 2005, 2004, 2003 and 2002, respectively.

As per requirements of SEBI (DIP) Guidelines, 2000 and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956, the above restatements have been disclosed as Adjustments on Account of Audit Qualifications in the Summary of Restated Profit and Loss Account.

c. Restatements relating to prior period adjustments represent various expenses restated to the respective years to which they relate irrespective of the year in which the event triggering the profit / loss occurred.

The restatements primarily pertain to provision for doubtful debtor balances, doubtful advances, security deposits and provision for work in progress related to earlier years, aggregating to Rs. 38.96 million charged to profit and loss account in the year ended March 31, 2006. The effect of the restatements has been explained in notes (a) and (b) above. As per requirements of SEBI (DIP) Guidelines, 2000 and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956, the above restatements have been disclosed as Adjustment on Account of Prior Period Items in the Summary of Restated Profit and Loss Account.

d. The tax rate applicable for the financial year ended March 31, 2006, has been used to calculate the notional tax impact of the adjustments.

2. Contingent Liabilities

(Rs. in Millions)

Particulars	**March 31, 2006**	**March 31, 2005**	**March31, 2004**	**March 31, 2003**	**March 31, 2002**
Bank guarantees outstanding	305.85	187.73	162.15	265.40	262.11
Corporate Guarantees Outstanding	6,388.20	7,348.42	9,111.90	11,023.56	10,449.60
Bills discounted	-	-	30.00	-	-
Disputed Sales Tax Liability	1.37	1.37	1.69	-	-

3. Loans and advances include share application money given to subsidiary / group / other companies, pending allotment. The following are the details of such amounts:

(Rs. in Millions)

Particulars	**March 31, 2006**	**March 31, 2005**	**March31, 2004**	**March 31, 2003**	**March 31, 2002**
Share Application Money	396.05	96.05	0.56	9.56	12.89

4. The following Long Term Investments of the Company have been pledged as security towards loan facilities availed by the Company and certain subsidiary companies:

Sl. No.	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
1	-	-	2,703,800 Equity Shares of Rithwik Energy Systems Limited	-	-

5. In respect of receivables from Oil and Natural Gas Corporation (ONGC), on account of an arbitration award amounting to Rs 18.71 Millions (Previous year - Rs. 15.42 Millions), received during the year 2005-06, the management is confident about the recoverability of the same and consequently no provision has been made at this stage.

6. During the year 2005-06, 23,076,666 fully paid equity shares were allotted as fully paid up Bonus Shares by capitalisation of Securities Premium Account.

7. Deferred Tax Liability comprises of the following:

(Rs. in Millions)

Particulars	**March 31, 2006**	**March 31, 2005**	**March31, 2004**	**March 31, 2003**	**March 31, 2002**
Depreciation	30.87	38.99	67.33	69.78	-
Section 43B Disallowance	-	(1.27)	-	-	-
Total	**30.87**	**37.72**	**67.33**	**69.78**	**-**

ANNEXURE A

STATEMENT OF DIVIDEND DECLARED

The dividends declared by the Company in respect of the five financial years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 are as under:

(Rs. in million)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Equity Dividend					
Equity Share Capital	307.69	76.92	76.92	76.92	76.92
Rate of Dividend	-	-	-	105%	-
Amount of Dividend	-	-	-	80.77	-

ANNEXURE B

CASH FLOW STATEMENT PREPARED FROM THE RESTATED FINANCIAL STATEMENTS FOR THE YEARS ENDED

(*Rs. in Millions)*

		March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before taxation (Net of tax impact on adjustments) Adjustments for :	169.95	89.95	57.61	166.43	82.84
	Depreciation	18.91	21.27	23.04	23.87	17.17
	Loss from sale of Fixed Assets (net)	0.21	48.04	13.05	1.77	1.21
	Interest Income	(9.25)	(2.67)	(6.05)	(2.97)	(10.49)
	Interest Expenses	36.26	40.95	52.55	26.54	31.21
	Operating Profit before Working Capital Changes	**216.08**	**197.54**	**140.20**	**215.64**	**121.94**
	Adjustments for :					
	Inventories	(34.69)	112.63	(70.70)	0.46	(28.95)
	Trade and other receivables / other assets	(1,003.19)	(181.97)	135.76	55.12	(110.69)
	Current Liabilities and Provisions	1,331.64	(64.29)	(52.56)	(86.11)	410.92
	Cash generated from operations	**509.84**	**63.91**	**152.70**	**185.11**	**393.22**
	Direct Taxes Paid	(40.24)	(22.60)	(19.33)	(14.70)	(12.40)
	Net Cash from Operating Activities	**469.60**	**41.31**	**133.37**	**170.41**	**380.82**
B.	**CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES**					
	(Purchase)/sale of fixed assets	(12.69)	63.97	21.24	(8.18)	(190.43)
	(Purchase) / Sale of Investments (net)	(640.37)	201.56	(366.29)	11.70	(63.97)
	Interest received	9.25	2.67	6.05	2.97	10.49
	Net Cash from / (used in) Investing Activities	**(643.81)**	**268.20**	**(339.00)**	**6.49**	**(243.91)**
C.	**CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES**					
	Proceeds from issue of equity shares (including share application money)	-	-	-	(1.03)	-
	Proceeds from / (Repayments of) Borrowings (Net)	195.12	(75.52)	204.48	(79.61)	5.55
	Interest paid	(36.26)	(40.95)	(52.55)	(26.54)	(31.21)
	Dividend paid	-	-	-	(80.77)	-
	Net Cash from/(used in) Financing Activities	**158.86**	**(116.47)**	**151.93**	**(187.95)**	**(25.66)**
	Net Increase / (decrease) in Cash and Cash Equivalents	(15.35)	193.04	(53.70)	(11.05)	111.25
	Cash and Cash Equivalents as at April 1,	314.83	121.79	175.49	186.54	75.29
	Cash and Cash Equivalents as at March 31,	299.48	314.83	121.79	175.49	186.54

Note: The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

ANNEXURE C

RELATED PARTY TRANSACTIONS FOR THE YEARS ENDED MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003 AND MARCH 31, 2002

a) Names of the related parties and description of relationship

Year Ended March 31, 2006

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Prince Stone Investments Limited
2	Subsidiary Companies	Lanco Mantri Technology Park Private Limited, Lanco Electric Utility Limited, Lanco Hydro Power Ventures Private Limited, Vamshi Industrial Power Limited, Vamshi Hydro Energies Private Limited, Lanco Green Power Private Limited
3	Enterprise where significant influence exists/Enterprises which are Associates of the reporting enterprise	Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Amarkantak Power Private Limited, Lanco Energy Private Limited, Lanco Property Management Private Limited, Lanco Group Limited, S.V. Contractors, Pearl Farms Private Limited, Ruby Agro Farms Private Limited, Coral Agro Estates Private Limited Garnet Agro Estates Private Limited, Larsco Entertainment Private Limited, LCL Foundation- ESOP Trust
4	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. L. Rajagopal (Brother) Mr. L. Sridhar (Brother) Ms. L. Padma (Sister-in-law) Mr. L. Venkata RamaNaidu (Father) Ms. L. Ramalakshmamma (Mother) Mr. G. Bhaskara Rao, Vice Chairman Ms. G. Padmavathi, (Wife) Mr. S. C. Duggal, Whole Time Director Mr. D.N. Reddy, Whole Time Director Mr. T.V. Krishna, Whole Time Director

Year Ended March 31, 2005

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Prince Stone Investments Limited
2	Subsidiary Company	Lanco Amarkantak Power Private Limited
3	Enterprise where significant influence exists/Enterprises which are Associates of the reporting enterprise	Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Group Limited, Lanco Electric Utility Limited, Vamshi Hydro Energies Private Limited, Vamshi Industrial Power Limited, S.V. Contractors, Pearl Farms Private Limited, Ruby Agro Farms Private Limited, Coral Agro Estates Private Limited Garnet Agro Estates Private Limited, LCL Foundation- ESOP Trust
4	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao,Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.C. Duggal, Whole time Director Mr. T.V. Krishna, Whole time Director Mr. L. Rajagopal (Relative to Chairman)

Year Ended March 31, 2004

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Subsidiary Company	Rithwik Energy Systems Limited
3	Enterprise where significant influence exists/Enterprises which are Associates of the reporting enterprise	Clarion Power Corporation Limited, Rithwik Energy Systems Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Group Limited, S.V. Contractors, LCL Foundation- ESOP Trust
4	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao,Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.C. Duggal, Whole time Director

Year Ended March 31, 2003

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Enterprise where significant influence exists/Enterprises which are Associates/ Joint Venture of the reporting enterprise	Clarion Power Corporation Limited, Rithwik Energy Systems Limited, Lanco Kondapalli Power Private Limited, S.V. Contractors, LCL Foundation- ESOP Trust
3	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao, Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.C. Duggal, Whole time Director

Year Ended March 31, 2002

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Subsidiary Company	Clarion Power Corporation Limited
3	Enterprise where significant influence exists/ Enterprises which are Associates	S.V. Contractors
4	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao, Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.M. Roy

Details of transactions

(Rs. in Millions)

Nature of Transaction	Holding Company		Subsidiary companies		Enterprise where significant influence exists		Key Managerial Personnel and their Relatives	
	2006	2005	2006	2005	2006	2005	2006	2005
Dividend received	-	-	-	-	33.32	76.91	-	-
Rent received	-	-	-	-	1.04	0.62	-	-
Advance Paid	-	-	-	-	22.80	-	-	-
Civil contract services rendered	-	-	94.49	-	300.18	-	-	-
Contract service/shared Service fees	-	-	-	-	25.59	38.40	-	-
Directors' remuneration	-	-	-	-	-	-	3.20	0.70
Purchase of equity shares	-	-	350.00	51.10	304.20	20.64	0.05	-
Sale of equity shares	-	-	0.29	-	-	-	-	119.81
Issue of bonus shares	186.25	-	-	-	6.00	-	38.52	-
Advance Received	-	-	-	-	22.80	-	-	-
Share application money given	-	-	256.51	-	124.58	56.61	-	-
Refund of share application money	-	-	-	-	14.50	15.80	-	-
Balance payable at the year end/ [recoverable at the year end]	-	-	57.47	[0.81]	32.35	170.56	0.05	0.09

Details of transactions continued…

(Rs. in Millions)

Nature of Transaction	Holding Company			Subsidiary companies			Enterprise where significant influence exists			Key Managerial Personnel and their Relatives		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Dividend received	-	-	-	-	-	-	19.04	83.30	-	-	-	-
Rent received	-	-	-	-	-	-	0.62	-	-	-	-	-
Advance for shared services received	-	-	-	-	-	-	-	5.10	4.39	-	-	-
Refund of advance	-	-	-	-	-	-	-	1.34	-	-	-	-
Civil Contract Services rendered	-	-	-	4.29	-	-	106.18	29.71	-	-	-	-
Contract Service /Shared Service fees	-	-	-	-	-	-	53.78	0.01	0.24	-	-	-
Directors' Remuneration	-	-	-	-	-	-	-	-	-	1.10	1.45	1.68
Loan Taken	-	-	-	-	-	-	-	-	-	-	2.98	4.42
Purchase of Equity Shares	-	-	-	32.53	-	-	64.88	75.37	-	-	-	-
Sale of Equity Shares	-	-	-	-	-	-	-	-	-	-	-	-
Issue of Bonus Shares	-	-	-	-	-	-	-	-	-	-	-	-
Share Application money given				-		2.00						
Refund of Share application money	-	0.86	-	-	-	-	-	-	-	-	-	-
Balance Payable at the year end/ [Recoverable at the year end]	-	-	0.86	0.02	-	-	146.50	[33.96]	[36.66]	0.03	3.67	0.13

ANNEXURE D

DETAILS OF OTHER INCOME FOR MARCH 31, 2006, MARCH 31, 2005, MARCH 31, 2004, MARCH 31, 2003 AND MARCH 31, 2002

As the other income is less than 20% of the profit before tax, disclosure of details of other income for the financial years ended March 31, 2006, March 31, 2005 and March 31, 2003 have not been furnished. The details of other income for the years ended March 31, 2004 and March 31, 2002 are given below:

(Rs. in millions)

Particulars	Year Ended March 31, 2004	Year Ended March 31, 2002
Interest Received	6.05	10.49
Miscellaneous Income	7.68	5.50
Excise Duty Refund	-	54.87
TOTAL	**13.73**	**70.86**

ANNEXURE E

SUMMARY OF ACCOUNTING RATIOS

(Rs. in Millions)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Earnings Per Share (EPS)- Basic and Diluted (Rs.)	1.48	1.05	0.44	1.49	0.76
Net Asset Value (NAV) per Share (Rs.)	9.80	8.32	7.27	6.83	6.82
Return on Net Worth (%)	15.10	12.62	6.07	21.88	11.20
Weighted Average number of Equity shares outstanding during the year considered for Basic EPS and NAV per share	**92,306,664**	**92,306,664**	**92,306,664**	**92,306,664**	**92,306,664**

Note: *Net Worth = [Equity Share Capital + Reserves and Surplus -Miscellaneous Expenditure]*

Formulae:

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit after Tax}}{\text{Weighted Average Number of Equity Shares Outstanding during the year}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net Worth}}{\text{Weighted Average Number of Equity Shares Outstanding during the year}}$$

$$\text{Return on Net Worth} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}}$$

Notes:

1. *During the year ended March 31, 2006, the company has issued 23,076,666 bonus shares to the shareholders in the ratio of three shares for every one share held by them. Since the bonus issue is an issue without consideration, it has been treated as if it had occurred prior to the beginning of the year 2002, the earliest period reported.*
2. *Share application money as on March 31, 2002 which had been refunded subsequently has not been considered for calculation of diluted earnings per share.*
3. *The above ratios have been calculated based on restated financial statements.*
4. *Pursuant to para 44 of Accounting Standard (AS 20) Earnings Per Share, EPS has been computed after considering the following events occurred subsequent to the balance sheet date:*
   a. *On April 24, 2006, the company has issued 15,384,444 bonus shares to the shareholders in the ratio of one share for every two shares held by them. Since the bonus issue is an issue without consideration, the Issue is treated as if it had occurred prior to the begininig of the year 2002, the earliest period reported.*
   b. *On June 7, 2006, the company has split the Equity shares from Rs. 10/- per share to Rs. 5/- per share, resulting in increase in the equity shares outstanding.*

Calculation of weighted average number of shares outstanding during the year

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Nominal Value of Equity Shares –(Rs.)	10	10	10	10	10
Nominal Value of Equity Shares as on June 16, 2006 – (Rs.)	5	5	5	5	5
(A)Total number of equity shares outstanding at the beginning of the year – Rs. 10 per share paid up	7,692,222	7,692,222	7,692,222	7,692,222	7,692,222
(B) – Bonus Equity shares issued on 24th March 2006 (*Refer Note 1 above)*	23,076,666	23,076,666	23,076,666	23,076,666	23,076,666
(C) – Bonus Equity shares Issued (*Refer note 4(a) above*)	15,384,444	15,384,444	15,384,444	15,384,444	15,384,444
(D) – Split of Equity shares (*Refer note 4(b) above*)	46,153,332	46,153,332	46,153,332	46,153,332	46,153,332
(E) Weighted Average number of Equity shares outstanding during the year – Considered for Basic EPS and NAV					
[(A) + (B) + (C) + (D)]	**92,306,664**	**92,306,664**	**92,306,664**	**92,306,664**	**92,306,664**

ANNEXURE F

STATEMENT OF SECURED LOANS

(Rs. in Millions)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Bank Overdraft and Cash Credit *Refer Note: 1*	49.82	74.20	42.30	75.44	43.71
Term Loans From IREDA *Refer Note: 2*	-	-	-	80.10	80.10
From Andhra Bank *Refer Note:2*	51.73	57.79	70.41	-	-
From Indian Overseas Bank *Refer Note: 3*	203.70	-	-	-	-
From Lakshmi Vilas Bank *Refer Note: 3*	20.00	-	-	-	-
Hire Purchase and other Loans *Refer Note: 4*	1.86	-	19.03	41.23	52.94
Total	**327.11**	**131.99**	**131.74**	**196.77**	**176.75**

1. *These facilities from banks are secured by hypothecation of stocks / work in progress / inventory and other current assets including receivables of the company both present and future on pari passu basis.*
2. *Secured by first charge on 3MW wind power plant at Chitradurga District, in the State of Karnataka and further secured by personal guarantee given by certain directors of the company.*
3. *Secured against residual charge on block of assets of the Company and personal guarantees given by certain directors of the company.*
4. *Secured against hypothecation of vehicles to the bank / financial institution for the amounts borrowed.*

STATEMENT OF UNSECURED LOANS

(Rs. in million)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
From Others *Refer Note:1*	200.00	200.00	200.00	6.26	4.78
From Indusind Bank Limited *Refer Note:2*	-	-	75.77	-	-
Fixed Deposits *Refer Note:3*	-	-	-	-	1.15
Inter-corporate Deposit *Refer Note:4*	-	-	-	-	99.96
Total	**200.00**	**200.00**	**275.77**	**6.26**	**105.89**

Notes:

1. *Unsecured Loans from other include an amount of Rs. 200 million due to Lanco Kondapalli Power Private Limited These loans are due for repayment in June 2009.*
2. *Secured against personal guarantees given by certain Directors of the Company.*
3. *Fixed Deposits was received from Directors and their relatives.*
4. *Inter-corporate Deposit was received from ECL.*

ANNEXURE G

DETAILS OF SUNDRY DEBTORS

(Rs. in Millions)

Particulars	As at March 31, 2006
(Unsecured, Considered good)	
Outstanding for a period exceeding six months	60.81
Other Debts*	361.80
(Considered Doubtful)	
Outstanding for a period exceeding six months	9.74
Less : Provision	9.74
Total	**422.61**

** Out of the above Rs. 231.89 Millions are due from private companies in which directors of the company are directors as at March 31, 2006.*

ANNEXURE H

STATEMENT OF LOANS AND ADVANCES

(Rs. in Millions)

LOANS AND ADVANCES	As at March 31, 2006
(Unsecured and Considered Good)	
Loans to employees	0.34
Advance to subsidiaries	3.02
Advance recoverable in cash or in kind or for value to be received Sub Contractors*	272.26
Others	153.92
Advance to Group Companies towards Share Application Money pending Allotment	396.05
Deposits with Government Authorities	2.26
Security Deposits	223.56
Advance tax (Net of provisions)	57.11
(Unsecured and Considered Doubtful)	
Advance recoverable in cash or in kind or for value to be received	
Others	1.23
Provision for doubtful advances - Others	(1.23)
Security Deposits	3.81
Provision for doubtful deposits	(3.81)
Total	**1,108.52**

** Out of the above Rs. 40.30 Millions is due from a firm in which directors of the company are partners as at March 31, 2006.*

ANNEXURE I

STATEMENT OF QUOTED INVESTMENTS MADE AND THEIR MARKET VALUE AS AT MARCH 31, 2006

(Rs. in Millions)

Name of the Company	Number of Shares	Book Value	Market Value
In Equity shares of Rs. 10/- each fully paid up			
Lanco Industries Limited	751,791	10.18	29.43
Lanco Global Systems Limited	1,090,435	10.90	57.25
Andhra Bank	31,054	2.11	2.51
Bank of Baroda	7,206	1.66	1.66
Total		**24.85**	**90.85**

ANNEXURE J

CAPITALISATION STATEMENT

Pre-issue

(Rs. in Millions)

Particulars	**As at March 31, 2006**
Short Term Debt	69.82
Long Term Debt	457.29
Total Debt	**527.11**
Shareholders' Funds	
Share Capital	307.69
Reserves	596.93
Total Shareholders' Funds	**904.62**
Total Debt / Shareholders' Funds (Ratio)	**0.58**

Note: The capitalisation statement has been calculated on the basis of restated financial statements.

ANNEXURE K

STATEMENT OF TAX SHELTERS

(Rs. in million)

	As at March 31, 2006	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Profit before tax but after Extraordinary items as per books (A)	130.99	94.42	59.12	192.77	115.24
Tax Rate	33.66%	36.59%	36.88%	36.75%	35.70%
Tax at notional rate on profits	**44.09**	**34.55**	**21.80**	**70.84**	**41.14**
Adjustments:					
Permanent Differences (B)					
Exempt Income					
Dividend exempt u/s 10(34)	34.08	76.93	19.12	83.32	-
Profit on Sale of Investments exempt u/s 10(23G)	15.68	-	0.62	74.80	-
Income from Joint Venture exempt u/s 10(2A)	1.49	2.86	4.42	1.52	(0.57)
Other Adjustments					
Donations	(0.22)	(1.00)	(0.87)	(1.35)	(0.02)
Less: Deduction u/s 80G	0.10	0.50	0.25	-	0.02
Gratuity unpaid during the year	(0.71)		-	(0.72)	(0.28)
Diminution in value of Investments	-	(2.69)	(3.46)	-	-
Disallowance u/s 40A(3)	-	-	(0.04)	(0.16)	(0.41)
Prior Period Adjustments	(38.96)	-	-	(2.76)	(3.76)
Deduction u/s 80IA	15.55	17.52	3.82	-	-
Total Permanent Differences (B)	**27.01**	**94.12**	**23.86**	**154.65**	**(5.02)**
Timing Differences (C)					
Difference between tax depreciation and book depreciation	(14.69)	(17.84)	(6.84)	74.73	89.18
Disallowance u/s 43B	-	2.66	2.07	(8.93)	(2.85)
Loss on sale of Fixed Assets	(0.21)	(45.35)	(13.05)	(2.01)	(1.21)
Total Timing Differences (C)	**(14.90)**	**(60.53)**	**(17.82)**	**63.79**	**85.12**
Net Adjustments (B+C)	**12.11**	**33.59**	**6.04**	**218.44**	**80.10**
Tax Saving thereon	**4.08**	**12.29**	**2.23**	**80.28**	**28.60**
Income from Capital Gains / Other Sources (D)	-	4.50	(2.96)	49.37	-
Profit as per Income Tax Returns (E) = (A-B-C+D)	**118.88**	**65.33**	**50.12**	**23.70**	**35.14**
Taxable Income	**118.88**	**65.33**	**50.12**	**23.70**	**35.14**
Taxable Income	118.88	65.33	50.12	23.70	35.14
Tax as per Income tax as returned	40.00	22.93	19.04	8.60	12.55

ANNEXURE M

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

(Rs. in Millions)

	Particulars	2006	2005	2004
1.	Amount of Contract revenue recognized as revenue in the year	1,160.37	1,646.82	1,150.26
2.	Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	1,281.82	1,789.83	1,338.78
3.	Amount of customer advances outstanding for contracts in progress as at 31 March	1,436.75	323.63	321.45
4.	Retention amount due from customers for contracts in progress as at 31 March	127.85	149.24	96.68

ANNEXURE N

LANCO MANTRI TECHNOLOGY PARK PRIVATE LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Year ended March 31, 2006
Income/Revenue	
Increase in work in progress	42.67
Other Income	0.15
	42.82
Expenditure	
Development Costs	42.67
Administration and Other Expenses	1.46
Finance Charges	0.02
Amortisation of Miscellaneous Expenditure (net)	0.02
	44.17
Profit Before Taxation	**(1.35)**
Provision for Taxation:	
Deferred	0.05
Fringe Benefits	0.03
Loss After Taxation as per audited statement of accounts	**(1.43)**
Total Adjustments	**-**
Tax impact on adjustments	**-**
Total adjustments net of tax impact	**-**
Adjusted Losses	**(1.43)**
Loss Carried to Balance Sheet	**(1.43)**

ANNEXURE N (contd..)

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

		As at March 31, 2006	As at March 31, 2005
A.	**Fixed Assets**		
	Gross Block	2.48	-
	Less : Depreciation	0.16	-
	Net Block	**2.32**	**-**
B.	**Investments**	**19.00**	-
C.	**Current Assets, Loans and Advances**		
	Inventories	42.67	-
	Cash and Bank Balances	54.63	0.10
	Other Current Assets	0.15	-
	Loans and Advances	602.85	-
	Total	**700.30**	**0.10**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	3.37	0.02
	Deferred Tax Liability	0.04	-
	Secured Loans	453.14	-
	Total	**456.55**	**0.02**
E.	**Net worth (A+B+C-D)**	**265.07**	**0.08**
	Net worth represented by:		
F.	**Share Capital**	0.10	0.10
G.	**Share Application Money**	266.40	-
H.	**Reserves and Surplus**		
	Profit and Loss Account	(1.43)	-
	Total	**(1.43)**	**-**
I.	**Miscellaneous Expenditure**		
	(To the extent not written off or adjusted)	-	0.02
J.	**Net Worth (F+G+H-I)**	**265.07**	**0.08**

III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

(i) SIGNIFICANT ACCOUNTING POLICIES

The company is developing 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 developed by the Company consists of IT Office Space, residential buildings, retail and commercial complex.

Accounting Assumptions

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

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 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 or 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.

Investments

Long term investments are valued at cost unless there is other than temporary 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.

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.

Inventories/Work in Progress

Inventories including Real Estate development are stated at cost or net realisable value which ever 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.

Retirement Benefits

Provision for gratuity is made based on actual amounts payable as estimated by the management.

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.

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.

(ii) NOTES TO THE ACCOUNTS

1. The Company was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approximately) land. The total cost of the land is Rs. 4,266.60 Millions out of which Rs.600 Millions has been paid. The same has been considered as advance, pending execution of development agreement, land demarcation, approach road and environmental clearances.
2. During the year 2005-06, the name of the Company was changed from "Lanco Technologies Private Limited" to "Lanco Technology Park Private Limited" and then to "Lanco Mantri Technology Park Private Limited"

ANNEXURE O

LANCO KONDAPALLI POWER PRIVATE LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Income/Revenue					
Operating Income	5,558.15	5,596.97	5,528.18	5,642.73	5,971.06
Other Income	92.33	84.19	97.08	149.06	35.50
Total	**5,650.48**	**5,681.16**	**5,625.26**	**5,791.79**	**6,006.56**
Expenditure					
Generation Expenses	3,052.71	2,995.28	2,984.15	2,976.85	3,149.22
Administration and Other Expenses	126.14	145.20	186.62	165.70	124.51
Employees Remuneration and Benefits	27.33	25.57	22.39	19.67	15.66
Finance Charges	445.51	597.17	822.50	985.19	1,047.20
Depreciation	832.04	843.17	865.89	875.48	835.27
Total	**4,483.73**	**4,606.39**	**4,881.55**	**5,022.89**	**5,171.86**
Profit Before Taxation	**1,166.75**	**1,074.77**	**743.71**	**768.90**	**834.70**
Provision for Taxation:					
Current	98.18	84.89	56.57	60.55	62.38
Fringe Benefit Tax	0.72	-	-	-	-
Deferred	-	(87.24)	87.24	-	-
Profit After Taxation as per audited statement of accounts (A)	**1,067.85**	**1,077.13**	**599.90**	**708.35**	**772.32**
Impact on account of material adjustments and prior period items (Refer III(ii)(1)(a) of Annexure O)	(1.28)	11.23	(2.99)	(2.94)	(4.84)
Total Adjustments	**(1.28)**	**11.23**	**(2.99)**	**(2.94)**	**(4.84)**
Tax impact on adjustments	0.11	(0.95)	0.25	0.25	0.41
Total adjustments net of tax impact (B)	**(1.17)**	**10.28**	**(2.74)**	**(2.69)**	**(4.43)**
Adjusted profits (A + B)	**1,066.68**	**1,087.41**	**597.16**	**705.66**	**767.89**
Surplus brought forward from Previous Year	108.09	33.04	76.58	257.93	-
Accounting policy changes and prior period adjustments of previous years	-	-	-	-	0.82
Available for Appropriation	**1,174.77**	**1,120.45**	**673.74**	**963.59**	**768.71**
Debenture Redemption Reserve	(17.99)	(17.99)	(17.99)	(33.82)	151.47
Proposed Interim/Final Dividend	816.00	816.00	544.00	850.00	340.00
Distribution Tax on Dividend	114.44	106.64	69.70	-	-
General Reserve	106.79	107.71	44.99	70.83	19.31
Adjusted available surplus carried to Balance Sheet	**155.53**	**108.09**	**33.04**	**76.58**	**257.93**

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	11,183.48	11,116.59	11,089.46	11,434.63	11,424.51
	Less : Depreciation	4,599.28	3,769.95	2,938.00	2,070.54	1,192.36
	Net Block	**6,584.20**	**7,346.64**	**8,151.46**	**9,364.09**	**10,232.15**
	Add: Capital Work in Progress	2.78	-	-	-	113.21
	Total	**6,586.98**	**7,346.64**	**8,151.46**	**9,364.09**	**10,345.36**
B.	**Investments**	**-**	**-**	**-**	**-**	**1,020.00**
C.	**Current Assets, Loans and Advances**					
	Inventories	519.75	523.21	509.34	529.10	459.97
	Sundry Debtors	797.71	323.94	328.61	318.04	847.18
	Cash and Bank Balances	1,165.11	983.77	1,262.39	1,374.56	466.68
	Other Current Assets	2.79	2.41	10.14	6.75	27.07
	Loans and Advances	380.64	437.65	600.64	187.85	113.02
	Total	**2,866.00**	**2,270.98**	**2,711.12**	**2,416.30**	**1,913.92**
D.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	716.41	332.27	717.71	469.14	1,161.37
	Deferred Tax Liability	-	-	87.24	-	-
	Secured Loans	4,753.20	5,438.21	6,375.27	7,612.35	8,274.67
	Total	**5,469.61**	**5,770.48**	**7,180.22**	**8,081.49**	**9,436.04**
E.	**Net worth (A+B+C-D)**	**3,983.37**	**3,847.14**	**3,682.36**	**3,698.90**	**3,843.24**
	Net worth represented by:					
F.	**Share Capital**	3,400.01	3,400.01	3,400.01	3,400.01	3,400.01
G.	**Reserves and Surplus**					
	General Reserve	349.63	242.85	135.13	90.14	19.31
	Debenture Redemption Reserve	78.20	96.19	114.18	132.17	165.99
	Profit and Loss Account	155.53	108.09	33.04	76.58	257.93
	Total	**583.36**	**447.13**	**282.35**	**298.89**	**443.23**
H.	**Net Worth (F+G)**	**3,983.37**	**3,847.14**	**3,682.36**	**3,698.90**	**3,843.24**

III. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting Assumptions

These accounts 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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 & 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 minimum payments are accounted as and when due.

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. Cost of software is charged to revenue in the year of purchase.

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".

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs. 5,000, which are fully depreciated in the year of acquisition and Leasehold Improvements which are depreciated over the period of lease. 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 is provided prospectively over the residual useful life of the asset.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the 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 year is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Investments are classified into current investments and long-term investments. Current investment are carried at lower of cost or market value. Long term investment are carried at cost less provision made to recognize any decline, other than temporary in the value of such investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

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.

Foreign Currency Transactions

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

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.

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.

Retirement Benefits

Contribution to defined scheme such as Provident Fund is charged to profit and loss account as incurred on accrual basis. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the enacted tax rates. Deferred tax assets is recognized only to the extent that there is virtual certainty supported by convincing evidence that 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 comprise net profit after tax. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

(ii) Notes to the accounts

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(*Rs. in Millions)*

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Profit After Taxation as per audited statement of accounts – **(A)**	**1,067.85**	**1,077.13**	**599.90**	**708.35**	**772.32**
Adjustments on account of:					
(I) Prior Period Items					
On account of material adjustments and prior period items *[Note (a) below]*	(1.28)	11.23	(2.99)	(2.94)	(4.84)
Tax impact on adjustments (Note (b) below)	0.11	(0.95)	0.25	0.25	0.41
Total Adjustments net of tax impact (B)	**(1.17)**	**10.28**	**(2.74)**	**(2.69)**	**(4.43)**
Adjusted profit (A + B)	**1,066.68**	**1,087.41**	**597.16**	**705.66**	**767.89**

Notes:

a) Restatements relating to Prior Period Adjustments represent expense and income restated to the respective years to which they relate irrespective of the year in which the event triggering the Profit or Loss occurred.

b) The Minimum Alternate Tax rate applicable for the year ended March 31, 2006, has been used to calculate the notional tax impact of the adjustments.

2. **Contingent Liabilities:**

(*Rs. in Millions*)

Particulars	As on March 31, 2006	As on March 31, 2005	As on March 31, 2004	As on March 31, 2003	As on March 31, 2002
Bank Guarantees Outstanding	187.73	162.73	102.73	-	0.68
Capital Commitment	-	-	-	-	3.55
Customs Duty	645.95	645.95	645.95	196.40	196.40

a) 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.

b) APPCC (formerly APTRANSCO) raised claim for liquidated damages towards alleged delay in Scheduled Date of Completion of the Project for Rs. 951.60 million after period of more than five years. APPCC unilaterally adjusted power supply dues to the extent of Rs. 480.70 million against the above claim. The Company has filed a writ petition before Andhra Pradesh High Court and obtained stay order. 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.

3. The Company's operations relate to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been considered.

4. 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.

5. The Company has entered into hedging contracts to manage the risk of interest costs by swapping Floating Rates with Fixed Rates. The company hedged interest rates in respect of Foreign Currency Loans aggregating to USD 40,719,541.

6. Provision for Adder payments under LTAPSA are charged to Profit & Loss Account based on Factored Fire Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

(Rs. in Millions)

Particulars	As at April 1, 2005	Provision made during the year	Amount used during the year	As at March 31, 2006
Provision for operations and maintenance	197.94	68.79	59.73	207.00

7. The Company was Originally incorporated in the State of Andhra Pradesh as Lanco Power Limited on August 21, 1995, subsequently renamed as Kondapalli Power Corporation Limited on April 1,1997, again the company was renamed as Lanco Kondapalli Power Limited on June 21,1999 and subsequently renamed as Lanco Kondapalli Power Private Limited on July 11, 2001.

ANNEXURE P

ABAN POWER COMPANY LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	For the period ended March 31, 2006
Income/Revenue	
Operating Income	979.13
Other Income	4.33
	983.46
Expenditure	
Generation Expenses	523.10
Administration and Other Expenses	44.88
Employees Remuneration and Benefits	9.03
Finance Charges	171.06
Depreciation	198.54
	946.61
Profit Before Taxation	**36.85**
Provision for Taxation:	
Current	3.10
Fringe Benefit	0.20
Profit After Taxation as per audited statement of accounts	**33.55**
Total Adjustments	**-**
Tax impact on adjustments	-
Total adjustments net of tax impact	**-**
Adjusted profits	**33.55**
Available for Appropriation	**33.55**
Adjusted available surplus carried to Balance Sheet	**33.55**

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in million)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	4,078.71	21.79	14.10	9.59	22.55
	Less : Depreciation	200.19	1.50	0.23	0.02	-
	Net Block	**3,878.52**	**20.29**	**13.87**	**9.57**	**22.55**
	Add: Capital Work in Progress	1.30	3,473.71	1,821.03	-	-
	Expenses during construction period pending allocation	-	541.32	168.08	80.97	75.61
	Total	**3,879.82**	**4,035.32**	**2,002.98**	**90.54**	**98.16**
B.	**Investments**	**-**	**38.63**	**79.10**	**-**	**-**
C.	**Current Assets, Loans and Advances**					
	Inventories	216.40	172.94	-	-	-
	Sundry Debtors	78.00	83.03	-	-	-
	Cash and Bank Balances	326.09	32.54	73.66	5.63	0.01
	Loans and Advances	33.43	34.16	60.97	69.38	-
	Total	**653.92**	**322.67**	**134.63**	**75.01**	**0.01**
D.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	95.41	55.34	35.62	121.39	98.14
	Secured Loans	3,086.59	3,023.08	791.48	-	-
	Unsecured Loans	-	-	497.98	0.02	0.02
	Total	**3,181.99**	**3,078.42**	**1,325.08**	**121.41**	**98.16**
E.	**Net worth (A+B+C-D)**	**1,351.75**	**1,318.20**	**891.63**	**44.14**	**0.01**
	Net worth represented by:					
F.	**Share Capital**	1,318.20	1,318.20	726.98	0.50	0.01
G.	**Share Application Money**	-	-	164.65	43.64	-
H.	**Reserves and Surplus**					
	Profit and Loss Account	33.55	-	-	-	-
I.	**Net Worth (F+G+H)**	**1,351.75**	**1,318.20**	**891.63**	**44.14**	**0.01**

III. (i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions:

These accounts 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to under Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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 & 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 & Loss Account based on Factored Fired Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

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. Cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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" except interest paid for procurement of spare parts during construction period, which are charged off to Profit and Loss Account.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the 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 year is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Investments are classified into current investments and long-term investments. Current investments are carried at lower of cost or market value. Long term investment are carried at cost less provision made to recognize any decline, other than temporary in the value of such investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

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.

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 financial statements.

Exchange fluctuation arising on repayment and reinstatement of outstanding foreign currency loans 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.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of un-availed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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.

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.

(ii) NOTES TO THE ACCOUNTS

1. The Company has commenced its commercial operations (COD) on August 11, 2005. Consequently Profit and Loss Account has been drawn from such date to March 31, 2006.

2. **Contingent Liabilities**

(*Rs. in Millions*)

Particulars	As on March 31, 06	As on March 31, 05	As on March 31, 04	As on March 31, 03	As on March 31, 02
Bank Guarantee Outstanding	26.55	75.45	127.20	100.65	100.65
Capital Commitment	-	48.80	1,611.99	0.74	-
Letter of Credit Outstanding	113.44	180.64	207.83	-	-

The accounts have been prepared for the period ended June 30, 2005 for a period of 15 months. Also the accounts for the period ended March 31, 2006 have been prepared for a period of 9 months ended March 31, 2006 and hence the same are not comparable to the earlier period.

ANNEXURE Q

GENTING LANCO POWER (INDIA) PRIVATE LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(*Rs. in million)*

	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Income/Revenue					
Operating Income	55.55	72.73	53.90	36.31	29.03
Other Income	2.29	1.44	1.03	1.75	0.66
	57.84	**74.17**	**54.93**	**38.06**	**29.69**
Expenditure					
Administration and Other Expenses	34.69	51.72	37.08	20.28	19.74
Expenditure reimbursable under operations and maintenance agreement	(8.43)	(7.08)	(9.72)	(18.33)	(10.92)
Employees Remuneration and Benefits	40.92	39.67	34.37	24.10	21.07
Expenditure reimbursable under operations and maintenance agreement	(40.92)	(39.67)	(34.37)	(24.10)	(21.07)
Finance Charges	-	-	-	-	0.03
Depreciation	2.28	2.26	2.19	2.12	2.00
Amortisation of Miscellaneous Expenditure (net)	-	-	-	0.01	0.05
	28.54	**46.90**	**29.55**	**4.08**	**10.90**
Profit Before Taxation	**29.30**	**27.27**	**25.38**	**33.98**	**18.79**
Provision for Taxation:					
Current	10.68	10.73	9.00	12.20	6.00
Fringe benefit	0.43	-	-	-	-
Deferred	(0.07)	(0.39)	0.26	0.66	-
Profit After Taxation as per audited statement of accounts	**18.26**	**16.93**	**16.12**	**21.12**	**12.79**
Total Adjustments	-	-	-	-	-
Tax impact on adjustments	-	-	-	-	-
Total adjustments net of tax impact	-	-	-	-	-
Adjusted profits	**18.26**	**16.93**	**16.12**	**21.12**	**12.79**
Surplus brought forward from Previous Year	44.95	28.02	65.59	44.47	34.02
Available for Appropriation	**63.21**	**44.95**	**81.71**	**65.59**	**46.81**
Issue of Bonus Shares	-	-	16.64	-	-
Deferred Tax Liability- Opening	-	-	-	-	2.34
Proposed Interim/Final Dividend	28.08	-	27.04	-	-
Tax on Dividend	3.94	-	3.46	-	-
General Reserve	4.50	-	6.56	-	
Adjusted available surplus carried to Balance Sheet	**26.69**	**44.95**	**28.01**	**65.59**	**44.47**

GENTING LANCO POWER (INDIA) PRIVATE LIMITED

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in million)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	29.76	29.57	28.83	27.96	26.59
	Less : Depreciation	14.71	12.43	10.16	7.97	6.00
	Net Block	**15.05**	**17.14**	**18.67**	**19.99**	**20.59**
B.	**Current Assets, Loans and Advances**					
	Sundry Debtors	37.86	32.27	58.90	28.34	10.21
	Cash and Bank Balances	51.69	38.02	9.83	29.26	23.04
	Other Current Assets	0.86	0.83	0.08	0.73	0.36
	Loans and Advances	0.93	0.89	0.95	0.24	0.75
	Total	**91.34**	**72.01**	**69.76**	**58.57**	**34.36**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	47.12	16.06	31.88	7.90	6.06
	Deferred Tax Liability	2.79	2.86	3.23	2.99	-
	Total	**49.91**	**18.92**	**35.11**	**10.89**	**6.06**
D.	**Net worth (A+B-C)**	**56.48**	**70.23**	**53.32**	**67.67**	**48.89**
	Net worth represented by:					
E.	**Share Capital**	18.72	18.72	18.72	2.08	2.08
F.	**Reserves and Surplus**	37.76	51.51	34.60	65.59	46.81
G.	**Net Worth (E+F)**	**56.48**	**70.23**	**53.32**	**67.67**	**48.89**

III. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting Assumptions

These accounts are 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

Income from Services comprises of fees for services rendered and incentive, which are recognized as per the terms of the contract and are stated net of service tax.

Interest Income is recognized in the year in which it is accrued and stated gross of Tax Deducted at Source.

Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is calculated on assets at rates prescribed by Schedule XIV of the Companies Act, 1956 on straight-line method except in the case of office equipment depreciated at the rate of 7.07%, which is higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.

Individual assets costing Rs. 5,000 or less are depreciated in full in the year of purchase.

Depreciation is charged on a pro-rata basis on assets purchased / sold during the year.

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 recognized in the Profit and Loss Account other than those relating to Fixed Assets.

Realized gains and losses on foreign exchange transactions other than those relating to Fixed Assets are recognized in the Profit and Loss Account.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of un-availed leave outstanding at the end of the year. Provision for Gratuity is made on the basis of actuarial valuation.

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.

Earnings Per Share

The earnings considered in ascertaining the company's Earnings Per Share comprise of net profit after tax. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

(ii) NOTES TO THE ACCOUNTS

1. The company is engaged in providing services to Lanco Kondapalli Power Private Limited (LKPPL) for operating and maintaining the facilities located at Kondapalli Industrial Development Area, Kondapalli for which an Operation & Maintenance Agreement has been entered into with LKPPL for the fees and reimbursement of expenses.

   Contingent Liability:

   (Rs. in million)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Income Tax Matters under Appeal	-	-	0.47	-	-

2. During the year 2003-04, the company has issued 1,663,936 Equity shares as fully paid up bonus shares by capitalizing a sum of Rs. 16.64 Million from Profit and Loss Account.

   Genting Lanco Power (India) Private Limited was originally incorporated as Eastern Generation Services (India) Private Limited in the State of NCT of Delhi & Haryana as on September 09, 1997 and subsequently the Registered office has been shifted from NCT of Delhi to Andhra Pradesh on December 10, 2004 and subsequently the name of the Company has been changed to Genting Lanco Power (India) Private Limited on February 23, 2005.

Auditor's Report

M/s. Narven Associates
Chartered Accountants
313, Lingapur House
Himayatnagar
Hyderabad 500 029

The Board of Directors
LANCO Electric Utility Limited,
LANCO House
141, Avenue #8
Banjara Hills
Hyderabad.

Dear Sirs,

We have examined the books and accounts of Lanco Electric Utility Limited ('LEUL' or 'the Company') for the five Financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) Instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Ltd,

We report that the profits of the company for the period ended March 31st 2006 from the date of commencement of operation as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for NARVEN ASSOCIATES
Chartered Accountants

Place: Hyderabad
Date : June 14, 2006

D.C. Naidu
Partner

LANCO ELECTRIC UTILITY LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Million)

	As at March 31st 2006
Income/Revenue	
Operating Income	49.78
Other Income	0.05
Total	**49.83**
Expenditure	
Generation Expenses	49.32
Administration and Other Expenses	0.28
Employees Remuneration and Benefits	0.00
Finance Charges	0.02
Depreciation	0.66
Amortization of Miscellaneous Expenditure (net)	0.36
Total	**50.64**
Loss Before Taxation	**(0.81)**
Provision for Taxation:	
Fringe Benefit	0.15
Deferred	(0.27)
Profit After Taxation as per audited statement of accounts	**(0.69)**
Total Adjustments	**-**
Tax impact on adjustments	-
Total adjustments net of tax impact	**-**
Adjusted Losses	**(0.69)**
Adjusted available surplus carried to Balance Sheet	**(0.69)**

II. Summary of Restated Assets and Liabilities

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	8.06	0.02	0.02	0.02	-
	Less : Depreciation	0.66	0.01	0.01	-	-
	Net Block	**7.40**	**0.01**	**0.01**	**0.02**	**-**
	Add: Expenditure during Construction period	-	-	-	0.48	0.01
	Total	**7.40**	**0.01**	**0.01**	**0.50**	**0.01**
B.	**Current Assets, Loans and Advances**					
	Sundry Debtors	7.10	-	-	-	-
	Cash and Bank Balances	27.73	15.27	5.05	0.01	0.01
	Other Current Assets	0.04	-	-	-	-
	Loans and Advances	168.24	-	10.30	-	-
	Total	**203.11**	**15.27**	**15.35**	**0.01**	**0.01**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	0.66	0.05	0.01	0.01	0.01
	Deferred Tax (Asset)	(0.27)	-	-	-	-
	Total	**0.39**	**0.05**	**0.01**	**0.01**	**0.01**
D.	**Net worth (A+B-C)**	**210.12**	**15.23**	**15.35**	**0.50**	**0.01**
	Net worth represented by:					
E.	**Share Capital**	212.24	16.23	16.23	0.50	0.01
F.	**Share Application Money**	-	0.10	-	0.01	0.01
G.	**Reserves and Surplus**					
	Profit and Loss Account	(0.69)	-	-	-	-
	Total	**(0.69)**	**-**	**-**	**-**	**-**
H.	Miscellaneous Expenditure (To the extent not written off or adjusted)	1.43	1.10	0.88	0.01	0.01
I.	**Net Worth (E+F+G-H)**	**210.12**	**15.23**	**15.35**	**0.50**	**0.01**

III. (i) SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:

Preparation & Presentation of Financial Statements:

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles, the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of revenues and expenses during the reporting period. Differences between the actual and estimates are recognized in the period in which the results are known/materialized.

Fixed Assets:

Tangible fixed assets are valued at cost net of depreciation provided.

Depreciation on the fixed assets of the company is written down as per Schedule XIV of the Companies Act 1956.

Intangible Assets like operating license and business development expenditure are stated at cost less accumulated amortization. Intangible assets are amortized over their estimated useful life for 10 years.

Revenue Recognition:

The Company generally follows the mercantile system of Accounting and recognizes items of income and expenditure on accrual basis.

Revenue from sale of energy/distribution is recognized on the accrual basis in accordance with the provisions of the Power Distribution Agreement. Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Distribution Agreement, shall be accounted for in the year of acceptance.

Expenditure:

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities.

Investments:

Long-term investments are valued at cost until there is a permanent diminution in their value.

Preliminary Expenses:

Preliminary expenses are written off over a period of 5 years from this year onwards.

Gratuity & Encashment of Leave Salary:

The company is providing gratuity on accrual method after completing employees five years of continuous services. Encashment of leave salary is provided on cash basis.

Impairment of Assets:

An asset is treated impaired when the carrying cost of assets exceeds its recoverable value.

Foreign Currency Transaction:

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.

Monetary items denominated in foreign currencies at the year-end and not covered by forward exchange contracts are translated at the rates of exchange at the balance sheet date and resulting gain or loss is recognized in the profit and loss account.

Income Tax:

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax rates is recognized by using the tax rates and tax laws that have been enacted are substantially enacted by balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(ii) NOTES TO THE ACCOUNTS:

1. Contingent Liability

(Rs. in Millions)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004	Year Ended March 31, 2003	Year Ended March 31, 2002
Bank Guarantees Outstanding	40.00	-	-	-	-
Letter of Credit Outstanding	90.00	-	-	-	-

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Lanco Hydro Power Ventures Private Limited,
Lanco House, 141, Avenue # 8
L.V. Prasad Marg
Banjara Hills
Hyderabad.

Dear Sirs,

We have examined the books and accounts of Lanco Hydro Power Ventures Private Limited ('LHPVPL' or 'the Company') for the two financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date : June 14, 2006

P. Murali Mohan Rao
Partner

LANCO HYDRO POWER VENTURES (INDIA) PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005
A.	**Investments**	396.73	-
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	0.43	0.58
	Loans and Advances	73.58	10.47
	Total	**74.01**	**11.05**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	1.34	0.01
	Total	**1.34**	**0.01**
D.	**Net worth (A+B-C)**	**469.40**	**11.04**
	Net worth represented by:		
E.	**Share Capital**	287.49	0.10
F.	**Share Application Money**	188.11	11.06
G.	**Miscellaneous Expenditure** (To the extent not written-off or adjusted)	6.20	0.12
H.	**Net Worth (E+F-G)**	**469.40**	**11.04**

II. (i) SIGNIFICANT ACCOUNTING POLICIES

General

The accounts are prepared on the historical basis & on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition:

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Investments

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental, wherever applicable.

(ii) Notes to the Accounts

Lanco Hydro Power Ventures Private Limited was Originally incorporated as Hydro Power Ventures India Private Limited as on January 31, 2005 and subsequently renamed as Lanco Hydro Power Ventures Private Limited as on September 1, 2005 having its Registered office at Hyderabad.

Auditor's Report

M/s. N.B. Kumar & Co.,
Chartered Accountants
1-2-365/36/5, 1st Floor
B L N Mansion
Ramakrishna Mutt Road
Opposite Indira Park
Hyderabad 500 029

The Board of Directors
Vamshi Industrial Power Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Vamshi Industrial Power Limited ('VIPL' or 'the Company') for the four financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for N.B. Kumar & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

N.B. Kumar
Proprietor

VAMSHI INDUSTRIAL POWER LIMITED

I. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
A.	**Fixed Assets**				
	Gross Block	1.61	0.06	0.06	0.06
	Less : Depreciation	0.11	0.01	0.01	0.03
	Net Block	**1.50**	**0.05**	**0.05**	**0.03**
	Add: Capital Work in Progress	15.67	5.28	0.53	-
	Add: Capital Advances	115.81	-	0.58	-
	Add: Expenditure during construction period, pending allocation	17.97	3.05	2.06	0.42
	Total	**150.95**	**8.38**	**3.22**	**0.45**
B.	**Current Assets, Loans and Advances**				
	Cash and Bank Balances	13.66	1.18	0.18	0.11
	Other Current Assets	-	0.02	0.01	-
	Loans and Advances	2.87	1.91	1.50	1.50
	Total	**16.53**	**3.11**	**1.69**	**1.61**
C.	**Less : Liabilities and Provisions**				
	Current Liabilities and Provisions	2.07	0.14	0.01	-
	Unsecured Loans	92.00	-	-	-
	Total	**94.07**	**0.14**	**0.01**	**-**
D.	**Net worth (A+B-C)**	**73.41**	**11.35**	**4.90**	**2.06**
	Net worth represented by:				
E.	**Share Capital**	73.63	0.50	0.50	0.50
F.	**Share Application Money**	0.02	11.09	4.64	1.80
	Total	**73.65**	**11.59**	**5.14**	**2.30**
G.	**Miscellaneous Expenditure** (To the extent not written-off or adjusted)	0.24	0.24	0.24	0.24
H.	**Net Worth (E+F-G)**	**73.41**	**11.35**	**4.90**	**2.06**

II. (i) Significant Accounting Policies:

The financial statements are prepared under the historical cost convention in compliance with accounting standards and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared on going concern basis.

Fixed assets are accounted at cost.

Depreciation is provided on Straight-line method as per the rates specified in Schedule XIV to the Companies Act, 1956.

(ii) Notes to the Accounts

During the year 2002-03, the accounts have been prepared for a period of 13 months 23 days (i.e. from February 6, 2002 to March 31, 2003).

Auditor's Report

M/s. N.B. Kumar & Co.,
Chartered Accountants
1-2-365/36/5, 1st Floor
B L N Mansion
Ramakrishna Mutt Road
Opposite Indira Park
Hyderabad 500 029

The Board of Directors
Vamshi Hydro Energies Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Vamshi Hydro Energies Private Limited ('VHEPL' or 'the Company') for the five financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

we report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for N.B. Kumar & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

N.B. Kumar
Proprietor

VAMSHI HYDRO ENERGIES PRIVATE LIMITED

I. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	1.95	0.11	-	-	-
	Less : Depreciation	0.22	-	-	-	-
	Net Block	1.73	0.11	-	-	-
	Add: Capital Work in Progress	26.45	3.57	-	-	-
	Add: Capital Advances	97.16	-	-		
	Add: Expenditure during construction period, pending allocation (net)	16.78	1.96	0.50	0.17	0.16
	Total	**142.12**	**5.64**	**0.50**	**0.17**	**0.16**
B.	**Current Assets, Loans and Advances**					
	Cash and Bank Balances	13.80	1.02	0.01	0.02	0.01
	Other Current Assets	-	0.01	-	-	-
	Loans and Advances	2.58	0.81	-	-	-
	Total	**16.38**	**1.84**	**0.01**	**0.02**	**0.01**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	4.21	0.17	-	-	0.01
	Unsecured Loans	83.22	-	-	-	-
	Total	**87.43**	**0.17**	**-**	**-**	**0.01**
D.	**Net worth (A+B-C)**	**71.07**	**7.31**	**0.51**	**0.19**	**0.16**
	Net worth represented by:					
E.	**Share Capital**	71.03	0.22	0.22	0.22	0.03
F.	**Share Application Money**	0.09	7.14	0.34	0.02	0.18
G.	**Miscellaneous Expenditure** (To the extent not written-off or adjusted)	0.05	0.05	0.05	0.05	0.05
H.	**Net Worth (E+F-G)**	**71.07**	**7.31**	**0.51**	**0.19**	**0.16**

II. (i) SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in compliance with accounting standards and the relevant provisions of the Companies Act, 1956.

The financial statements have been prepared on going concern basis.

Fixed assets are accounted at cost.

Depreciation is provided on Straight line method as per the rates specified in Schedule XIV to the Companies Act, 1956.

(ii) Notes to the Accounts

The Company was originally incorporated as Bonzer International Private Limited on February 26, 1996 and subsequently renamed as Vamshi Hydro Energies Private Limited as on February 22, 2002. having its Registered office at Hyderabad.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
LANCO GREEN POWER PRIVATE LIMITED
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Green Power Private Limited ('LGPPL' or 'the Company') for the five financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

LANCO GREEN POWER PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	7.25	3.58	-	-	-
	Less : Depreciation	1.59	0.70	-	-	-
	Net Block	**5.66**	**2.88**	**-**	**-**	**-**
	Add: Capital Work in Progress	88.27	16.80	-	-	-
	Add: Capital Advances	374.26				
	Add: Expenditure during construction period, pending allocation (net)	108.17	18.05	0.31	0.17	0.03
	Total	**576.36**	**37.73**	**0.31**	**0.17**	**0.03**
B.	**Current Assets, Loans and Advances**					
	Cash and Bank Balances	6.52	0.48	0.01	0.04	0.07
	Other Current Assets	0.03	-	-	-	-
	Loans and Advances	6.84	8.26	-	1.00	-
	Total	**13.39**	**8.74**	**0.01**	**1.04**	**0.07**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	11.84	2.94	0.01	0.01	-
	Unsecured Loans	240.20	-	0.24	1.13	0.03
	Total	**252.04**	**2.94**	**0.25**	**1.14**	**0.03**
D.	**Net worth (A+B-C)**	**337.71**	**43.53**	**0.07**	**0.07**	**0.07**
	Net worth represented by:					
E.	**Share Capital**	252.60	0.10	0.10	0.10	0.10
F.	**Share Application Money**	85.20	43.52	-	-	-
G.	**Miscellaneous Expenditure** (To the extent not written-off or adjusted)	0.09	0.09	0.03	0.03	0.03
H.	**Net Worth (E+F-G)**	**337.71**	**43.53**	**0.07**	**0.07**	**0.07**

II. SIGNIFICANT ACCOUNTING POLICIES

General

The accounts are prepared on the historical basis & on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Depreciation is provided on Straight-line method as per the rates specified in Schedule XIV to the Companies Act, 1956.

Auditor's Report

K.R. Bapuji & Co.,
Chartered Accountants
Flat No. 204, Vijaya Shree Apartments
Nagarjuna Nagar
Ameerpet
Hyderabad 500 073.

The Board of Directors
LANCO AMARKANTAK POWER PRIVATE LIMITED
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Amarkantak Power Private Limited ('LAPPL' or 'the Company') for the five financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for K.R. Bapuji & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

K. R. Bapuji
Partner

LANCO AMARKANTAK POWER PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	109.97	1.68	0.81	0.06	-
	Less : Depreciation	0.83	0.19	0.01	-	-
	Net Block	**109.14**	**1.49**	**0.80**	**0.06**	**-**
	Add: Capital Work in Progress	150.53	6.86	-	-	-
	Add: Expenditure Pending Allocation	274.04	78.57	32.36	7.07	2.63
	Total	**533.71**	**86.92**	**33.16**	**7.13**	**2.63**
B.	**Current Assets, Loans and Advances**					
	Cash and Bank Balances	94.00	44.22	0.09	3.05	1.04
	Loans and Advances	1,523.69	442.87	3.71	1.67	1.32
	Total	**1,617.69**	**487.09**	**3.80**	**4.72**	**2.36**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	36.82	9.29	29.82	4.51	1.52
	Secured Loans	1,288.24	431.05	-	-	-
	Unsecured Loans	-	-	7.10	7.30	3.32
	Total	**1,325.06**	**440.34**	**36.92**	**11.81**	**4.84**
D.	**Net worth (A+B-C)**	**826.34**	**133.67**	**0.04**	**0.04**	**0.15**
E.	**Net worth represented by:**					
	Share Capital	782.47	112.70	0.10	0.10	0.10
F.	**Share Application Money**	50.50	21.85	-	-	0.11
G.	**Reserves and Surplus**	**-**	-	-	-	-
H.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	6.63	0.88	0.06	0.06	0.06
I.	**Net Worth (E+F+G-H)**	**826.34**	**133.67**	**0.04**	**0.04**	**0.15**

II. (i) Significant Accounting Policies:

These financial statements have been prepared in accordance with the accounting standards as prescribed by the Institute of Chartered Accountants of India and referred to in Section 211 (3)(c) of the Companies Act 1956. The following are the Significant Accounting Policies adopted in the presentation of the financial statements.

Basis of Accounting:

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognized & expenses accounted on their accrual and amounts determined as receivable or payable during year except those with significant uncertainties.

Fixed Assets:

Fixed assets are stated at cost less depreciation. Cost of acquisition is inclusive of freight, insurance, duties, levies and all incidentals attributable to bringing the asset to its working condition.

All pre-operative expenditure will be allocated to fixed assets on pro-rata basis. Interest and other finance charges incurred during construction period will be allocated to fixed assets in accordance with the provisions of accounting standard – 16 on 'Accounting for borrowing costs.

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation:

Depreciation on assets is provided on straight line method at the rates prescribed by Schedule XIV of the Companies Act 1956, except for assets costing less than Rs. 5,000/- which are fully depreciated in the year of acquisition. In respect of additions/ deletions, depreciation is restricted to the period of use.

Foreign Currency

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transaction.

Retirement Benefits:

The Company's contributions to the Provident Fund are accounted for on accrual basis.

Provision for leave encashment is made on accrual basis based on the un-availed leave outstanding at the end of the year subject to a maximum of 240 days.

Provision for gratuity is made on accrual basis for all the employees based on the completed period of service up to the Balance Sheet date.

Miscellaneous Expenditure:

Preliminary expenses are amortized over a period of five years on commencement of commercial operations.

(ii) Notes to the Accounts:

1. **Contingent liabilities:**

(Rs. in Million)

Particulars	As on March 31st 2006	As on March 31st 2005	As on March 31st 2004	As on March 31st 2003	As on March 31st 2002
Bank Guarantee Outstanding	104.75	-	-	-	-

Capital Commitments

(Rs. in Million)

Particulars	As on March 31st 2006	As on March 31st 2005	As on March 31st 2004	As on March 31st 2003	As on March 31st 2002
Estimated amount of contracts to be executed, not provided (net of advances)	8305.46	1360.00	-	-	-

2. Fixed deposit receipts of Rs. 6.65 million shown under cash and bank balances are under lien with banks for guarantees issued by them.
3. Leasehold land taken on a 99-year lease from Chhattisgarh Industrial Development Corporation Limited (CSIDC) includes the compensation and related costs paid to CSIDC for acquiring the said land.
4. Profit and Loss Account is not prepared as the company is yet to commence commercial operations. All the revenue expenses incurred during the year are considered as pre-operative expenditure and shown in a separate statement to comply with the requirements of Part II of Schedule VI of the Companies Act, 1956
5. In the year 2003-04, the Company has written back Rs. 1.37 millions for the provision made during the year 2001-02, since the Lease Agreement is cancelled and no further provision is made during the year, since the land is not suitable or required.
6. The Company was originally incorporated as KVK Energy Private Limited in the State of Andhra Pradesh as on February 21, 2001 and subsequently the name of the Company has been changed to Lanco Amarkantak Power Private Limited as on December 16, 2003.
7. The accounts for the year 2001-02 are made from February 22, 2001 to March 31, 2002 for a period of 13 months 7 days for the period ended March 31, 2002.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Clarion Power Corporation Limited
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Clarion Power Corporation Limited, ('CPCL' or 'the Company') for the five Financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that the profits of the company for the periods ended March 31st 2006 from the date of commencement of operation as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

CLARION POWER CORPORATION LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

	As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
Income/Revenue			
Operating Income	195.41	158.48	15.18
Other Income	1.70	0.87	0.03
Total	**197.11**	**159.35**	**15.21**
Expenditure			
Generation Expenses	111.68	92.69	4.47
Administration and Other Expenses	4.80	6.13	0.70
Employees Remuneration and Benefits	10.37	6.30	0.68
Finance Charges	33.03	41.97	5.17
Depreciation	36.47	36.24	3.93
Amortisation of Miscellaneous Expenditure (net)	0.13	0.13	0.13
Total	**196.48**	**183.46**	**15.08**
Profit Before Taxation	**0.63**	**(24.11)**	**0.13**
Provision for Taxation:			
Current	0.14	-	0.01
Profit After Taxation as per audited statement of accounts	**0.49**	**(24.11)**	**0.12**
Adjustments on account of incorrect accounting policies	-	-	(7.59)
Impact on account of material adjustments and prior period items	(40.81)	(17.87)	(3.64)
Total Adjustments	**(40.81)**	**(17.87)**	**(11.23)**
Tax impact on adjustments	3.43	1.50	0.94
Total adjustments net of tax impact	**(37.38)**	**(16.37)**	**(10.29)**
Adjusted profits	**(36.89)**	**(40.48)**	**(10.17)**
Surplus brought forward from Previous Year	(50.65)	(10.17)	-
Available for Appropriation	**(87.54)**	**(50.65)**	**(10.17)**
Adjusted available surplus carried to Balance Sheet	**(87.54)**	**(50.65)**	**(10.17)**

CLARION POWER CORPORATION LIMITED

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	480.84	475.48	467.98	8.56	0.07
	Less : Depreciation	75.78	39.32	3.77	0.17	0.01
	Net Block	**405.06**	**436.16**	**464.21**	**8.39**	**0.06**
	Add: Capital Work in Progress	4.68	0.66	-	75.89	-
	Add: Expenditure Pending Allocation	-	-	-	15.69	4.79
	Total	**409.74**	**436.82**	**464.21**	**99.97**	**4.85**
B.	**Current Assets, Loans and Advances**					
	Inventories	18.90	17.54	16.64	-	-
	Sundry Debtors	9.47	20.24	13.58	-	-
	Cash and Bank Balances	7.58	7.41	4.39	14.96	1.55
	Loans and Advances	19.72	15.69	7.10	112.37	46.68
	Total	**55.67**	**60.88**	**41.71**	**127.33**	**48.23**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	36.35	32.43	17.63	5.53	0.07
	Secured Loans	275.45	327.99	350.50	71.39	-
	Unsecured Loans	-	24.09	-	7.35	-
	Total	**311.80**	**384.51**	**368.13**	**84.27**	**0.07**
D.	**Net worth (A+B-C)**	**153.61**	**113.19**	**137.79**	**143.03**	**53.01**
	Net worth represented by:					
E.	**Share Capital**	148.49	148.49	141.01	141.01	3.68
F.	**Share Application Money**	92.93	15.76	7.48	2.68	49.53
G.	**Reserves and Surplus**					
	Profit and Loss Account	(87.54)	(50.65)	(10.17)	-	-
H.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.27	0.39	0.53	0.66	0.20
I.	**Net Worth (E+F+G-H)**	**153.61**	**113.19**	**137.79**	**143.03**	**53.01**

III. (i) SIGNIFICANT ACCOUNTING POLICIES

General :

Accounting policies not specifically referred to otherwise be consistent and in consonance with generally accepted accounting principles.

These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.

Revenue Recognition :

The Company follows the mercantile system of Accounting and recognizes income and expenditure on accrual basis.

Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

Depreciation and Amortization:

Depreciation is provided on straight-line method on pro-rata basis and at the rates and manner specified as per the provisions of Electricity (Supply) Act, 1948.

Preliminary Expenses are amortized over a period of 5 years.

Capital Work-in-Progress :

The Capital Work-in-Progress includes cost of Fixed Assets under installation.

Inventories:

Inventories are valued at weighted average cost.

Taxation :

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted at the Balance Sheet date.

Gratuity:

Provision for gratuity has been made on accrual basis based upon employee qualifying period of service for entitlement of this benefit.

(ii) Notes to the Accounts

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(*Rs. in Millions*)

Particulars	**Year Ended March 31, 2006**	**Year Ended March 31, 2005**	**Year Ended March 31, 2004**
Profit After Taxation as per audited statement of accounts – **(A)**	**0.49**	**(24.11)**	**0.12**
Adjustments on account of:			
I) Change in accounting policies	-	-	-
On account of incorrect accounting policies *[Note (a) below]*	-	-	(7.59)
Tax impact on adjustments [Note (c) below]	**-**	**-**	**0.63**
Total Adjustments net of tax impact – (B)	**-**	**-**	**(6.96)**
II) Prior Period Items [Note (b) below]			
On account of material adjustments and prior period items *[Note (b) below]*	(40.81)	(17.87)	(3.64)
Tax impact on adjustments (Note (c) below)	3.43	1.49	0.31
Total Adjustments net of tax impact – (C)	**(37.38)**	**(16.38)**	**(3.33)**
Total Adjustments – Net of tax impact – (D) = (B + C)	**(37.38)**	**(16.38)**	**(10.29)**
Adjusted profit (A - D)	**(36.89)**	**(40.48)**	**(10.17)**

Notes:

a) *Restatement of revenue expenditure classified as Capital Expenditure during the year 2003-04.*

b) *Restatements relating to Prior Period Adjustments represent various expenses restated to the respective years to which they relate irrespective of the year in which the event triggering the Profit or Loss occurred. Adjustments on account of Prior Period expense for the years 2003-04 and 2005-06 represent the adjustments on account of Provision for Doubtful Debts.*

c) *The Minimum Alternate Tax rate applicable for the year ended March 31, 2006, has been used to calculate the notional tax impact of the adjustments.*

2. **Contingent Liability:**

(Rs. in Millions)

Particulars	**Year Ended March 31, 2006**	**Year Ended March 31, 2005**	**Year Ended March 31, 2004**	**Year Ended March 31, 2003**	**Year Ended March 31, 2002**
Demand for Additional Customs Duty for 2002-03	2.39	2.39	-	-	-
Demand for Entry Tax on goods into local areas in respect of purchase of Plant and Machinery and Equipments					
AY 2002-03	0.01	0.01	-	-	-
AY 2003-04	10.23	10.23	-	-	-

3. (a) Sales Invoices are raised for the Financial Year 2005 – 06 at the rate of Rs.3.48 per unit of power exported to APTRANSCO against which the company is receiving the sale proceeds based upon the APERC revised rate of Rs.2.90 per unit of export of power to APTRANSCO for the period from 01.04.05 to 21.02.06 and thereafter the company is receiving Rs.2.86 per unit of export of power to APTRANSCO for the period from 22.02.06 to 31.03.06. The High Court of Andhra Pradesh has passed an interim Order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sale is Rs.17.34 million. The High Court of Andhra Pradesh has instructed the Ministry of Energy to appoint the Chair Person and Members of Central Tribunal under the Electricity Act. Accordingly the Appellate Tribunal was formed. Presently the matter is reserved for judgment with the Appellate Tribunal.

   The appellate Tribunal for Electricty 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.

   (b) Sales Invoices are raised for the Financial Year 2004 – 05 at the rate of Rs.3.48 per unit of power exported to APTRANSCO against which the company is receiving the sale proceeds based upon the APERC revised rate of Rs.2.88 per unit of export of power to APTRANSCO for the period from 1.4.04 to 21.2.05 and thereafter the company is receiving Rs.2.84 per unit of export of power to APTRANSCO for the period from 22.2.05 to 31.3.2005. The High Court of Andhra Pradesh has passed an interim Order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further orders. The impact of difference between the rates mentioned above on the Sale is Rs.158.11 lacs. The Company has filed the writ petition with the Court of Andhra Pradesh against APERC Order for the payment of differential rate for the Unit of Power exported to APTRANSCO during the financial year 2004-05. The case is pending with the High Court of Andhra Pradesh.

4. The Company has commenced its operations on January 23, 2004 and hence no profit and loss account has been prepared for the year 2002-03 and since the company has achieved the COD on January 23,2004, the figures for the year 2003-04 are not comparable.

5. This Company was originally incorporated as Heritage Agritech Limited on January 23, 1996 and subsequently renamed as Clarion Industries Limited on January 27, 1997 and again the name of the Company has been changed to Clarion Power Corporation Limited as on July 17, 1997.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Rithwik Energy Systems Limited
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Rithwik Energy Systems Limited ('RESL' or 'the Company') for the five Financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that the profits of the company for the periods ended March 31st 2006 from the date of commencement of operation as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

RITHWIK ENERGY SYSTEMS LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003
Income/Revenue				
Operating Income	108.90	151.36	154.07	64.50
Other Income	3.85	1.68	1.49	0.83
Total	**112.75**	**153.01**	**155.55**	**65.33**
Expenditure				
Generation Expenses	56.69	88.90	76.61	34.12
Administration and Other Expenses	8.00	6.76	9.93	4.56
Employees Remuneration and Benefits	8.95	7.48	6.38	3.33
Finance Charges	18.74	18.80	27.30	11.68
Depreciation	19.69	19.52	19.24	11.04
Amortisation of Miscellaneous Expenditure (net)	0.08	0.08	0.08	0.08
Total	**112.15**	**141.54**	**139.54**	**64.81**
Profit Before Taxation	**0.60**	**11.50**	**16.02**	**0.52**
Provision for Taxation:				
Current	0.14	0.94	1.23	0.04
Profit After Taxation as per audited statement of accounts	**0.46**	**10.56**	**14.79**	**0.48**
Adjustments on account of incorrect accounting policies	-	-	-	4.63
Impact on account of material adjustments and prior period items	12.58	26.27	(2.67)	3.44
Total Adjustments	**12.58**	**26.27**	**(2.67)**	**8.07**
Tax impact on adjustments	(1.06)	(2.21)	0.22	(0.68)
Total adjustments net of tax impact	**11.52**	**24.06**	**(2.45)**	**7.39**
Adjusted profits	**(11.06)**	**(13.50)**	**17.46**	**(6.91)**
Surplus brought forward from Previous Year	(2.48)	11.02	(6.44)	0.47
Available for Appropriation	**(13.54)**	**(2.48)**	**11.02**	**(6.44)**
Adjusted available surplus carried to Balance Sheet	**(13.54)**	**(2.48)**	**11.02**	**(6.44)**

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	279.55	274.20	269.89	255.18	1.72
	Less : Depreciation	69.02	49.46	29.73	10.77	0.22
	Net Block	**210.53**	**224.74**	**240.16**	**244.41**	**1.50**
	Add: Capital Work in Progress	2.06	0.79	0.63	0.99	129.01
	Add: Expenditure During Construction Period, pending allocation	-	-	-	0.12	21.93
	Total	**212.59**	**225.53**	**240.79**	**245.52**	**152.44**
B.	**Investments**	0.02	0.02	0.02	0.01	-
C.	**Current Assets, Loans and Advances**					
	Inventories	22.55	2.79	1.05	2.56	-
	Sundry Debtors	20.88	17.98	9.93	14.70	-
	Cash and Bank Balances	2.15	1.92	8.57	2.43	8.53
	Loans and Advances	4.94	29.19	14.33	19.68	49.12
	Total	**50.52**	**51.87**	**33.88**	**39.38**	**57.65**
D.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	9.39	8.26	6.48	7.28	0.88
	Secured Loans	171.22	181.68	167.30	192.58	132.32
	Unsecured Loans	-	-	-	1.67	20.00
	Total	**180.61**	**189.94**	**173.78**	**201.53**	**153.20**
E.	**Net worth (A+B+C-D)**	**82.52**	**87.48**	**100.91**	**83.38**	**56.89**
	Net worth represented by:					
F.	**Share Capital**	90.12	90.12	90.13	69.99	39.01
G.	**Share Application Money**	6.00	-	-	20.14	18.29
H.	**Reserves and Surplus**					
	Profit and Loss Account	(13.54)	(2.48)	11.02	(6.44)	-
	Total	**(13.54)**	**(2.48)**	**11.02**	**(6.44)**	**-**
I.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.06	0.16	0.24	0.31	0.41
J.	**Net Worth (F+G+H-I)**	**82.52**	**87.48**	**100.91**	**83.38**	**56.89**

III. (i) SIGNIFICANT ACCOUNTING POLICIES

General

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

These accounts are prepared on the historical basis & on the accounting principles of a going concern.

Revenue Recognition:

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Revenue is not recognized on the grounds of prudence, until realized, in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Investments:

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

Depreciation and Amortization:

Depreciation on the fixed assets has been calculated on written down value method at the rates given in the Electricity (Supply) Act, 1948.

Preliminary expenses are amortized over the period of 5 years.

Capital Work-in-Progress:

The capital work in progress includes cost of fixed assets under installation.

Inventories:

Inventories are valued at weighted average cost.

Taxation:

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profits offered for income tax and the profits as per the financial statements. Deferred tax assets & liability are measured as per the tax rates/laws that have been enacted or substantively enacted at the Balance sheet date.

(ii) Notes on Accounts:

1. Adjustments / Regroupings arising out of change in accounting policies and prior period items.

(*Rs. in Millions)*

Particulars	**Year Ended March 31, 2006**	**Year Ended March 31, 2005**	**Year Ended March 31, 2004**	**Year Ended March 31, 2003**	**Year Ended March 31, 2002**
Profit After Taxation as per audited statement of accounts – **(A)**	**0.46**	**10.56**	**14.79**	**0.48**	**-**
Adjustments on account of:					
I) Change in accounting policies	-	-	-	-	-
On account of incorrect accounting policies *[Note (a) below]*	-	-	-	4.63	-
Tax impact on adjustments [Note (c) below]	-	-	-	(0.39)	**-**
Total Adjustments net of tax impact – (B)	**-**	**-**	**-**	**4.24**	**-**
II) Prior Period Items [Note (b) below]					
On account of material adjustments and prior period items *[Note (b) below]*	12.58	26.27	(2.67)	3.44	-
Tax impact on adjustments (Note (c) below)	(1.06)	(2.21)	0.22	(0.29)	-
Total Adjustments net of tax impact – (C)	**11.52**	**24.06**	**(2.45)**	**3.15**	**-**
Total Adjustments – Net of tax impact – (D) = (B + C)	**11.52**	**24.06**	**(2.45)**	**7.39**	**-**
Adjusted profit (A – D)	**(11.06)**	**(13.50)**	**17.46**	**(6.91)**	**-**

Notes:

(a) Restatement of revenue expenditure classified as Capital Expenditure during the year 2002-03.

(b) Interest short provided has been restated for the year 2002-03 and 2003-04.

(c) Adjustments on account of Prior Period expense for the years 2004-05 and 2005-06 represent Provision for Doubtful Debt.

(d) The Minimum Alternate Tax rate applicable for the year ended March 31, 2006, has been used to calculate the notional tax impact of the adjustments.

2. Contingent liability:

(Rs. in Millions)

Particulars	As on March 31, 2006	As on March 31, 2005	As on March 31, 2004	As on March 31, 2003	As on March 31, 2002
AP Transco	-	-	29.96	-	-
Additional Customs duty Demand	6.52	6.52	-	-	-
Income Tax Demand	0.36	0.36	-	-	-

3. (a) Sales Invoices are raised for the Financial Year 2005 – 06 at the rate of Rs.3.48 per unit of power exported to APTRANSCO against which the company is receiving the sale proceeds based upon the APERC revised rate of Rs.2.86 per unit of export of power to APTRANSCO for the period from 01.04.05 to 17.09.05 and thereafter the company is receiving Rs.2.82 per unit of export of power to APTRANSCO for the period from 17.09.05 to 31.03.06. The High Court of Andhra Pradesh has passed an interim Order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sale is Rs.10.85 million. The High Court of Andhra Pradesh has instructed the Ministry of Energy to appoint the Chair Person and Members of Central Tribunal under the Electricity Act. Accordingly the Appellate Tribunal was formed. Presently the matter is reserved for judgment with the Appellate Tribunal.

The appellate Tribunal for Electricty 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.

(b) Sales Invoices are raised for the Financial Year 2004-05 at the rate of Rs.3.48 per unit of power exported to APTRANSCO against which the company is receiving the sale proceeds based upon the APERC revised rate of Rs.2.84 per unit of export of power to APTRANSCO for the period from 01.04.04 to 17.09.04 and thereafter the company is receiving Rs.2.80 per unit of export of power to APTRANSCO for the period from 17.09.04 to 31.03.05. The High Court of Andhra Pradesh has passed an interim Order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sale is Rs.17.91million. The company has filed a writ petition with the High Court of Andhra Pradesh against APERC order for the payment of differential rate for the unit of power exported to APTRANSCO during the financial year 2004-05. The case is pending with the High Court of Andhra Pradesh.

4. The Company has commenced its operations on September 18, 2002 and hence no profit and loss account has been prepared for the year 2001-02 and since the company has achieved the COD on September 18, 2002, the figures for the year 2002-03 are not comparable.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

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

Dear Sirs,

We have examined the books and accounts of Lanco Energy Private Limited, ('LEPL' or 'the Company') for the five years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

LANCO ENERGY PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**Fixed Assets**					
	Gross Block	7.20	-	-	-	-
	Less : Depreciation	0.68	-	-	-	-
	Net Block	**6.52**	**-**	**-**	**-**	**-**
	Add: Capital Work in Progress	205.42	-	-	-	-
	Add: Expenditure during construction period, pending allocation (net)	8.15	0.11	0.11	0.10	0.02
	Total	**220.09**	**0.11**	**0.11**	**0.10**	**0.02**
B.	**Current Assets, Loans and Advances**					
	Cash and Bank Balances	1.96	0.01	0.01	0.01	-
	Loans and Advances	0.97	-	-	-	-
	Total	**2.93**	**0.01**	**0.01**	**0.01**	**-**
C.	**Less : Liabilities and Provisions**					
	Current Liabilities and Provisions	199.39	0.01	-	0.01	0.01
	Secured Loans	0.76	-	-	-	-
	Unsecured Loans	-	-	-	-	-
	Total	**200.15**	**0.01**	**-**	**0.01**	**0.01**
D.	**Net worth (A+B-C)**	**22.87**	**0.11**	**0.12**	**0.10**	**0.01**
E.	Net worth represented by:					
	Share Capital	0.11	0.11	0.11	0.11	0.01
F.	**Share Application Money**	26.48	0.02	0.03	0.01	0.02
G.	**Miscellaneous Expenditure** (To the extent not written-off or adjusted)	3.72	0.02	0.02	0.02	0.02
H.	**Net Worth (E+F-G)**	**22.87**	**0.11**	**0.12**	**0.10**	**0.01**

II. Significant Accounting Policies:

General

The accounts are prepared on the historical basis and on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise be consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The Company follows the mercantile system of Accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Depreciation

Depreciation on assets is provided on straight-line method at the rates prescribed by Schedule XIV of the Companies Act, 1956.

Auditor's Report

K.R. Bapuji & Co.,
Chartered Accountants
Flat No. 204, Vijaya Shree Apartments
Nagarjuna Nagar
Ameerpet
Hyderabad 500 073.]

The Board of Directors
LANCO HYDRO ENERGIES PRIVATE LIMITED
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Hydro Energies Private Limited ('LHEPL' or 'the Company') for the financial year ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Ltd in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited.

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for K.R. Bapuji & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

K. R. Bapuji
Partner

LANCO HYDRO ENERGIES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006
A.	**Current Assets, Loans and Advances**	
	Cash and Bank Balances	0.10
	Total	**0.10**
B.	**Less : Liabilities and Provisions**	
	Current Liabilities and Provisions	0.01
	Total	**0.01**
C.	**Net worth (A-B)**	**0.09**
	Net worth represented by:	
D.	**Share Capital**	0.10
E.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.01
F.	**Net Worth (D-E)**	**0.09**

II. (i) Significant Accounting Policies:

The accounts are prepared on the accrual basis under the historical cost convention in accordance with the provisions of the Companies Act, 1956.

Preliminary expenses are written off equally over a period of five years beginning from the year in which the commercial operations of the company commence.

(ii) Notes to the Accounts

These accounts are for a period of 1 month and 8 days i.e. from 21st February, 2006 (date of incorporation) to 31st March, 2006.

There is no profit and loss account, as the company has no commercial operations for the period ended 31st March, 2006. The revenue expenditure incurred during the year are classified as pre-operative expenses.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Coral Agro Estates Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Coral Agro Estates Private Limited, ('CAEPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

CORAL AGRO ESTATES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	16.09	16.11	8.39
B.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	0.01	0.01	0.03
	Total	**0.01**	**0.01**	**0.03**
C.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	0.01	0.01	3.51
	Total	**0.01**	**0.01**	**3.51**
D.	**Net worth (A+B-C)**	**16.09**	**16.11**	**4.91**
	Net worth represented by:			
E.	**Share Capital**	0.10	0.10	0.10
F.	**Share Application Money**	16.08	16.03	4.83
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.09	0.02	0.02
H.	**Net Worth (E+F-G)**	**16.09**	**16.11**	**4.91**

II. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

The accounts are prepared on the historical basis & on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise be consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Diamond Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Diamond Farms Private Limited ('DFPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

DIAMOND FARMS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	11.62	16.73	-
B.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	0.01	0.01	0.09
C.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	0.08	0.02	0.01
D.	**Net worth (A+B-C)**	**11.55**	**16.72**	**0.08**
	Net worth represented by:			
E.	**Share Capital**	0.10	0.10	0.10
F.	**Share Application Money**	11.53	16.63	-
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.08	0.01	0.02
H.	**Net Worth (E+F-G)**	**11.55**	**16.72**	**0.08**

II. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

The accounts are prepared on the historical basis and on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Garnet Agro Estates Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Garnet Agro Estates Private Limited ('GAEPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

GARNET AGRO ESTATES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	**17.95**	**17.73**	**3.19**
B.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	0.15	0.06	0.92
	Loans and Advances	-	-	3.30
	Total	**0.15**	**0.06**	**4.22**
C.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	**0.85**	**0.88**	**3.31**
D.	**Net worth (A+B-C)**	**17.25**	**16.91**	**4.10**
	Net worth represented by:			
E.	**Share Capital**	0.10	0.10	0.10
F.	**Share Application Money**	17.33	16.83	4.02
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.18	0.02	0.02
H.	**Net Worth (E+F-G)**	**17.25**	**16.91**	**4.10**

II. Significant Accounting Policies

Accounting Assumptions

The accounts are prepared on the historical basis and on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Auditor's Report

V.S.P.N & Co.,
Chartered Accountants
Flat No. 4, Rukimini Apartments
Yousufguda Checkpost
Hyderabad 500 045.

The Board of Directors
Neptune Projects Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Neptune Projects Private Limited, ('NPPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and
c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares by M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for V S P N & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

N. HARI BABU
Partner

NEPTUNE PROJECTS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	0.01	0.01	0.09
	Loans and Advances	0.08	0.08	-
	Total	**0.09**	**0.09**	**0.09**
B.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	0.01	0.01	-
	Unsecured Loans	0.01	-	-
	Total	**0.02**	**0.01**	**-**
C.	**Net worth (A-B)**	**0.07**	**0.08**	**0.09**
	Net worth represented by:			
D.	**Share Capital**	0.10	0.10	0.10
E.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.03	0.02	0.01
F.	**Net Worth (D-E)**	**0.07**	**0.08**	**0.09**

II. ACCOUNTING POLICIES:

Accounting Convention:

The financial statements have been prepared on going concern assumption and under the historical cost convention on accrual basis in accordance with the requirements of the Companies Act, 1956 and applicable statutes and comply with the accounting standard referred to in Section 211 (3C) of the Companies Act 1956.

Revenue Recognition:

Items of income and expenditure having a material bearing on the financial statements are recognized on accrual basis. However there were no commercial activities during the year.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Pearl Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Pearl Farms Private Limited ('PFPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

PEARL FARMS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	**20.76**	**20.47**	**-**
B.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	26.63	-	0.09
	Loans and Advances	0.01	0.01	-
	Total	**26.64**	**0.01**	**0.09**
C.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	**0.11**	**0.01**	**0.01**
D.	**Net worth (A+B-C)**	**47.29**	**20.47**	**0.08**
	Net worth represented by:			
E.	**Share Capital**	0.10	0.10	0.10
F.	**Share Application Money**	47.24	20.39	-
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.05	0.02	0.02
H.	**Net Worth (E+F-G)**	**47.29**	**20.47**	**0.08**

II. Significant Accounting Policies

Accounting Assumptions

The accounts are prepared on the historical basis and the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Ruby Agro Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Ruby Agro Farms Private Limited ('RAFPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

P. Murali Mohan Rao
Partner

RUBY AGRO FARMS PRIVATE LIMITED

I. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	**21.82**	**21.80**	**-**
B.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	**0.05**	**-**	**0.09**
C.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	**0.01**	**0.01**	**0.01**
D.	**Net worth (A+B-C)**	**21.86**	**21.79**	**0.08**
	Net worth represented by:			
E.	**Share Capital**	0.10	0.10	0.10
F.	**Share Application Money**	21.81	21.71	-
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.05	0.02	0.02
H.	**Net Worth (E+F-G)**	**21.86**	**21.79**	**0.08**

II. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

The accounts are prepared on the historical basis and the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

Fixed Assets

Fixed assets are stated at cost. Cost comprises the purchase price and other attributable expenses.

Auditor's Report

V.S.P.N & Co.,
Chartered Accountants
Flat No. 4, Rukimini Apartments
Yousufguda Checkpost
Hyderabad 500 045.

The Board of Directors
Uranus Projects Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Uranus Projects Private Limited, ('UPPL' or 'the Company') for the three financial years ended March 31st 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments on in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for V S P N & Co.,
Chartered Accountants

Place: Hyderabad
Date: June 14, 2006

N. HARI BABU
Partner

URANUS PROJECTS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As at March 31st 2006	As at March 31st 2005	As at March 31st 2004
A.	**Fixed Assets**			
	Gross Block	**5.85**	**-**	**-**
B.	**Investments**	**5.35**	-	-
C.	**Current Assets, Loans and Advances**			
	Cash and Bank Balances	0.07	0.02	0.09
	Loans and Advances	0.07	0.08	-
	Total	**0.14**	**0.10**	**0.09**
D.	**Less : Liabilities and Provisions**			
	Current Liabilities and Provisions	0.01	0.01	-
	Unsecured Loans	11.26	0.01	-
	Total	**11.27**	**0.02**	**-**
E.	**Net worth (A+B+C-D)**	**0.07**	**0.08**	**0.09**
	Net worth represented by:			
F.	**Share Capital**	0.10	0.10	0.10
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.03	0.02	0.01
H.	**Net Worth (F-G)**	**0.07**	**0.08**	**0.09**

II. ACCOUNTING POLICIES:

Accounting Convention:

The financial statements have been prepared on going concern assumption and under the historical cost convention on accrual basis in accordance with the requirements of the Companies Act, 1956 and applicable statutes and comply with the accounting standard referred to in Section 211 (3C) of the Companies Act 1956.

Revenue Recognition:

Items of income and expenditure having a material bearing on the financial statements are recognized on accrual basis. However there were no commercial activities during the year under audit.

Fixed Assets:

Fixed assets are stated at their original cost of acquisition less accumulated depreciation. Direct costs such as taxes, duties, freight and others incidental expenses related to acquisition and installation of the concerned assets are capitalized in the respective cost of fixed assets till the assets are ready to be put to use.

Auditors' Report

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

Dear Sirs,

A. We have examined the books and account of Lanco Infratech Limited ('LITL' or 'the Company') for the quarter ended June 30, 2006 and June 30, 2005 (hereinafter referred to as 'the period ended June 30, 2006'), being the last date to which the accounts of the Company have been made up. We have also examined the books and account of subsidiary companies and associate companies:

(i) Lanco Hills Technology Park Private Limited (LHTPPL) (formerly Lanco Mantri Technology Park Private Limited ('LMTPPL') for the quarter ended June 30, 2006 and June 30, 2005;

(ii) Aban Power Company Limited ('APCL') for the quarter ended June 30, 2006 and June 30, 2005; and

(iii) Lanco Kondapalli Power Private Limited ('LKPPL') for the quarter ended June 30, 2006 and June 30, 2005;

(iv) Genting Lanco Power (India) Private Limited ('GLPIPL') for the quarter ended June 30, 2006 and June 30, 2005.

We have carried out the examination of the financial statements of LITL, LHTPPL, LKPPL, APCL and GLPIPL for the quarter ended June 30, 2006 and June 30, 2005 as per the instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares of the Company.

In accordance with the requirements of:

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company,

we report that the profits of the Company, LKPPL, APCL and GLPIPL and loss of LHTPPL for the above period are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regroupings) as in our opinion are appropriate and are subject to the Accounting Policies and notes given below.

In accordance with para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of subsidiary company and associate companies included below:

(a) <u>Subsidiary Companies</u>

(i) LHTPPL for the quarter ended June 30, 2006 and June 30, 2005; as Annexure N.

(ii) APCL for the quarter ended June 30, 2006 and June 30, 2005; as Annexure O,

(b) <u>Associate Companies</u>

(i) LKPPL for the Quarter ended June 30, 2006 and June 30, 2005 as Annexure P,

(ii) GLPIPL for the Quarter ended June 30, 2006 and June 30, 2005, as Annexure Q.

The relevant restated summary financial statements for these quarters have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

The relevant restated summary financial statements of the Company's subsidiary and associate companies have not been consolidated into the attached summary statements of the Company and are enclosed as Annexure N to Q. The beneficial ownership of the Company, either through its own investments or together with subsidiaries and associates, as at June 30, 2006 except stated otherwise is as follows:

Company	Beneficial Ownership (%)
LMTPPL	75.00
APCL	51.02
LKPPL	33.90
GLPIPL	26.00

Accordingly, the assets and liabilities and profit and loss as applicable, of such subsidiary and associates, the aforementioned financial statements to the extent of the beneficial interest, concern the members of the Company as at those dates.

B. **Other Financial Information**

We have examined the following information of the Company for the quarter ended June 30, 2006, unless otherwise stated, proposed to be included in the Offer Document/Prospectus, approved by you and forwarded to us by you/your merchant bankers and annexed to this report:

i. Statement of dividend declared enclosed as Annexure A.

ii. Cash Flow Statement enclosed as Annexure B.

iii. Related Party Transactions enclosed as Annexure C.

iv. Details of items of Other Income enclosed as Annexure D.

v. Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure E.

vi. Statement of Secured Loans and Unsecured Loans as at June 30, 2005, and June 30, 2006 enclosed as Annexure F.

vii. Details of Sundry Debtors as at June 30, 2006 enclosed as Annexure G.

viii. Details of Loans and Advances as at June 30, 2006 enclosed as Annexure H.

ix. Aggregate book value and market value of quoted investments as at June 30, 2006 enclosed as Annexure I.

x. Capitalization statement as at June 30, 2006 of the Company enclosed as Annexure J.

xi. Statement of tax shelter enclosed as Annexure K.

xii. Segmental Information enclosed as Annexure L.

xiii. Disclosure pursuant to Accounting Standard 7 (Revised) as Annexure M.

The preparation and presentation of the restated summary financial statements as mentioned in paragraph (A) above, based on the audited financial statements of the respective companies in accordance with the provisions of the Companies Act, 1956 and the financial information as mentioned in paragraph (B) above are the responsibility of the management of the Company and its subsidiary and associates.

In our opinion, the financial information of the Company to this report, mentioned in paragraph (A) & (B) above, read with respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities & Exchange Board of India (Disclosure & Investor Protection Guidelines, 2000) and paragraph B (1) of Part II of Schedule II to the Indian Companies Act, 1956. Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if it had been carried out in accordance with those standards.

P. Rama Krishna
Partner
Membership Number 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

LANCO INFRATECH LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005
Income/Revenue		
Operating Income	1,011.16	212.24
Other Income	5.83	5.44
	1,016.99	**217.68**
Expenditure		
Construction and Operating Expenses	718.23	162.39
Administration and Other Expenses	8.88	5.49
Employees Remuneration and Benefits	19.68	6.30
Finance Charges	34.46	7.57
Depreciation	4.97	4.63
	786.22	**186.38**
Profit Before Taxation	**230.77**	**31.30**
Provision for Taxation:		
Current	48.40	6.80
Deferred	(1.58)	(3.45)
Fringe Benefit	0.17	0.07
Profit After Taxation as per audited statement of accounts (A)	**183.78**	**27.88**
Total Adjustments	**-**	**-**
Tax impact on adjustments	**-**	**-**
Total adjustments net of tax impact (B)	**-**	**-**
Adjusted profits (A+B)	**183.78**	**27.88**
Surplus brought forward from Previous Year	502.24	365.66
Adjusted available surplus carried to Balance Sheet	**686.02**	**393.54**

Notes: The accompanying significant accounting policies and notes are an integral part of this statement.

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	215.82	196.76
	Less : Depreciation	89.69	71.06
	Net Block	**126.13**	**125.70**
B.	**Investments**	**4,449.20**	**717.67**
C.	**Current Assets, Loans and Advances**		
	Inventories	146.10	106.30
	Sundry Debtors	743.03	140.61
	Cash and Bank Balances	348.20	249.81
	Other Current Assets	3.00	2.31
	Loans and Advances	1840.13	598.45
	Total	**3,080.46**	**1,097.48**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	3,498.84	832.12
	Deferred Tax Liability	29.29	34.27
	Secured Loans	773.21	70.74
	Unsecured Loans	350.00	250.68
	Total	**4,651.34**	**1,187.81**
E.	**Net worth (A+B+C-D)**	**3,004.45**	**753.04**
	Net worth represented by:		
F.	**Share Capital**	567.78	76.92
G.	**Reserves and Surplus**		
	General Reserve	16.55	16.55
	Share Premium Account	1691.20	266.01
	Capital Reserve	42.90	42.90
	Profit and Loss Account	686.02	350.66
	Total	**2,436.67**	**676.12**
H.	**Net Worth (F+G)**	**3,004.45**	**753.04**

Notes: The accompanying significant accounting policies and notes are an integral part of this statement.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

Dividend 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.

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.

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. 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.

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.

Inventories

Inventories, after providing for obsolescence, are valued as under:

a) Stores & Spares on a First In First Out basis.

b) Project and construction related Work-in-progress at cost or lower.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged against revenue each year. Provision for Gratuity is 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 financial statements.

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 enacted tax rate. 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 (including the post-tax effect of any extra-ordinary items, if any). 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.

Notes to Accounts

2. Contingent Liabilities

(Rs. in Millions)

Particulars	June 30, 2006	June 30, 2005
Bank Guarantees outstanding	275.52	182.45
Corporate Guarantees Outstanding	6,615.86	7,062.33
Disputed Sales Tax Liability	1.37	1.37
Disputed Income Tax Liability	15.18	-

3. Prince Stone Investments Limited, the holding company of the Company holds 7,44,98,820 fully paid up equity shares of Rs. 5/- each (Previous year 62,08,235 fully paid up equity shares of Rs. 10/- each).

4. During the current quarter 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.

5. 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 is recoverable; no provision is required at this stage.

6. The long-term unquoted investments in equity shares of subsidiary companies and an associate as given hereunder and included in Schedule F 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	12,771,243 (6,915,140)
Rithwik Energy Systems Limited	27,038,000 (27,038,000)
Lanco Amarkantak Power Private Limited	64,496,220 (Nil)
Lanco Green Power Private Limited	25,250,000 (Nil)
Lanco Kondapalli Power Private Limited	1,15,260,000 (23,800,000)

(Previous quarter figures are mentioned in brackets)

7. Leases

Operating leases:

a) The company has taken various residential /commercial premises on cancelable operating lease. These lease agreements are generally renewed on expiry.

b) Lease payments made under cancellable operating leases amounting to Rs. 1.13 Million (Previous period – Rs.0.26 Million) have been recognized as an expense in the profit and loss account. The company has not entered into any non-cancellable operating leases.

8. Employee Stock Option Scheme

During the Quarter, 5,012,064 equity shares of Rs. 5/- each were allotted in addition to 2,400,000 equity shares of Rs. 5/ - 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 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 were granted to eligible employees and were outstanding as at June 30, 2006.

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

Options Outstanding

Particulars	June 30, 2006	June 30, 2005
Outstanding at the beginning of the period	Nil	Nil
Options Granted during the period	149,400	Nil
Options Exercised during the period	Nil	Nil
Outstanding at the end of the period	149,400	Nil

9. The Deferred Tax Liability – Net is as under:

(Rs. in Millions)

Particulars	June 30, 2006	June 30, 2005
Deferred Tax Liability as at the commencement of the period due to Fixed Assets Block	30.87	37.72
Less : Reversal of Deferred Tax Liability on account of Depreciation	1.58	3.45
Deferred Tax Liability - Net	29.29	34.27

ANNEXURE A

STATEMENT OF DIVIDEND DECLARED

The dividends declared by the Company in respect of the periods ended June 30, 2006 and June 30, 2005 are as under:

(Rs. in million)

Particulars	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Equity Dividend		
Equity Share Capital	567.78	76.92
Rate of Dividend	-	-
Amount of Dividend	-	-

ANNEXURE B

CASH FLOW STATEMENT PREPARED FROM THE RESTATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED

CASH FLOW STATEMENT

(Rs. in million)

		June 30, 2006	June 30, 2005
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before taxation (net of adjustments after tax impact)	230.77	31.30
	Adjustments for:		
	Depreciation	4.97	4.63
	(Profit) / Loss from sale of Fixed Assets (net)	0.35	0.15
	Interest Expenses	34.46	7.57
	(Profit) / Loss from sale of Investments (net)	58.78	(4.31)
	Operating Profit before Working Capital Changes	**211.77**	**47.97**
	Adjustments for :		
	Inventories	(24.64)	19.53
	Trade and other receivables / other assets	(321.79)	33.78
	Loans and Advances	(731.61)	(327.54)
	Current Liabilities and Provisions	1,621.77	286.69
	Cash generated from operations	**755.51**	**60.44**
	Direct Taxes Paid	(48.57)	(6.87)
	Net Cash from Operating Activities	**706.94**	**53.56**
B.	**CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES**		
	(Purchase)/Sale of fixed assets (Net)	(8.32)	(0.92)
	Purchase of Investments (net)	(3,210.44)	(100.00)
	Sale of investments	82.87	0.48
	Net Cash from / (used in) Investing Activities	**(3,135.89)**	**(100.44)**
C.	**CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES**		
	Proceeds from issue of equity shares (including share application money)	1,916.05	-
	Proceeds from Long term Borrowings	602.49	50.68
	Repayment of Long Term Borrowings	(6.41)	(61.26)
	Interest paid	(34.46)	(7.57)
	Net Cash from /(used in) Financing Activities	**2,477.67**	**(18.15)**
	Net Increase / (decrease) in Cash and Cash Equivalents	**48.72**	**(65.02)**
	Cash and Cash Equivalents as at April 1,	299.48	314.83
	Cash and Cash Equivalents as at June 30,	348.20	249.81

ANNEXURE C

RELATED PARTY TRANSACTIONS FOR THE QUARTER ENDED JUNE 30, 2006 AND JUNE 30, 2005

Related party transactions

a) Name of Related Parties and description of relationship:

HOLDING COMPANY	Prince Stone Investments Limited
Subsidiary Companies	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)
Enterprises where significant influence exists	Lanco Kondapalli Power Private Limited, (LKPPL) Genting Lanco Power India Private Limited, (GLPIPL) 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) Larsco Entertainment Private Limited (Larsco)*
Key Management Personnel and their relatives	1. Mr. L. Madhusudhan Rao, Chairman (LMR) Mr. L. Rajagopal (Brother) (LRG) Mr. Sridhar Lagadddapati (Brother) (LS) Ms. L. Padma (Sister-in-law) (LP) Mr. L. Venkata RamaNaidu (Father) (LVRN) Ms. L. Ramalakshmamma (Mother) (LRM) 2. Mr. G. Bhaskara Rao, Vice Chairman (GBR) Ms. G. Padmavathi, (Sister of Chairman) (GP) 3. Mr. G. Venkatesh Babu, Managing Director (GVB) 4. Mr. S.C. Duggal*

** Related party during the previous quarter*

ANNEXURE D

DETAILS OF OTHER INCOME FOR THE QUARTER ENDED JUNE 30, 2006 AND JUNE 30, 2005

As the other income is less than 20% of the profit before tax, disclosure of details of other income for the Quarters ended June 30, 2006 and June 30, 2005 have not been furnished.

ANNEXURE E

SUMMARY OF ACCOUNTING RATIOS

Particulars	As on June 30, 2006	As on June 30, 2005
Net Profit after tax– for Basic and Diluted EPS (Rs. in Millions)	183.78	27.88
Net Asset Value (NAV) per Share (Rs.)	17.89	5.32
Return on Net Worth (%)	6.12	3.70
Weighted average number of shares outstanding during the quarter for the purpose of calculation of EPS and NAV per share	1,67,937,292	1,41,669,682
Earning Per share - Basic & Diluted (Rs.)	1.10	0.20

Calculation of weighted average number of shares outstanding during the year

Particulars	As on June 30, 2006	As on June 30, 2005
Nominal value of equity shares - (Rs.) (Refer Note 4(a) below)	10	10
Total number of equity shares outstanding at the beginning of the period – Rs. 5 per share paid up	30,768,888	7,692,222
Bonus Equity Shares issued (Refer Note 1 below)	15,384,444	15,384,444
Fresh Allotment of Shares	10,637,144	-
Split of Equity Shares (Refer Note 2 below)	56,790,476	23,076,666
Allotment of Shares (Refer Note 3 below).	5,012,064	-
Consolidation of Shares (Refer Note 4(a) below).	59,296,508	23,076,666
Bonus Equity Shares issued (Refer Note 4(b) below).	1,18,593,016	1,18,593,016
Weighted average number of shares outstanding during the quarter for the purpose of calculation of EPS and NAV per share	**1,67,937,292**	**1,41,669,682**

Notes:

1. On April 24, 2006, the company has issued 15,384,444 bonus shares to the shareholders in the ratio of one share for every two shares held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2002, the earliest period reported.
2. On June 7, 2006, the company has split the Equity shares from Rs. 10/- per share to Rs. 5/- per share, resulting in increase in the number of equity shares outstanding.
3. The Company has allotted 5,012,064 equity shares to LCL Foundation Trust pursuant to an Employee Stock Option Scheme administered through trust.
4. Pursuant to para 44 of Accounting Standard (AS) 20 Earnings Per Share, EPS has been computed after considering the following events occurred subsequent to the Balance Sheet date:
   a) On June 30, 2006, the face value of the Company was Rs. 5 per share which was consolidated into shares of Rs 10 per share on July 30, 2006, resulting in a decrease in the number of equity shares outstanding. The nominal value of equity shares as on September 9, 2006 is Rs 10.
   b) On July 30, 2006, the company has issued 1,18,593,016 bonus shares to the shareholders in the ratio of two shares for every share held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the period 2005, the earliest period reported.

Note: Net Worth = [Equity Share Capital + Reserves and Surplus -Miscellaneous Expenditure]

Formulae:

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit after Tax}}{\text{Weighted Average Number of Equity Shares Outstanding during the quarter}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net Worth}}{\text{Weighted Average Number of Equity Shares Outstanding during the quarter}}$$

$$\text{Return on Net Worth} = \frac{\text{Net Profit after Tax}}{\text{Net Worth}}$$

ANNEXURE F

STATEMENT OF SECURED LOANS

(Rs. in million)

Particulars	As on June 30, 2006	As on June 30, 2005
Bank Overdraft and Cash Credit *Refer Note: 1*	193.74	15.44
Term Loans		
From Andhra Bank *Refer Note:2*	48.97	55.30
From Indian Overseas Bank *Refer Note: 3*	250.00	-
From Lord Krishna Bank *Refer Note: 3*	75.00	-
From State Bank of Mysore *Refer Note: 3*	200.00	-
Hire Purchase and other Loans *Refer Note: 4*	5.50	-
Total	**773.21**	**70.74**

1. *These facilities from banks are secured by hypothecation of stocks / work in progress / inventory and other current assets including receivables of the company both present and future on pari passu basis.*
2. *Secured by first charge on 3MW wind power plant at Chitradurga District, in the State of Karnataka and further secured by personal guarantee given by certain directors of the company and collateral securities.*
3. *Secured against residual charge on block of assets of the Company and personal guarantees given by certain directors of the company and collateral securities.*
4. *Secured against hypothecation of vehicles to the bank / financial institution for the amounts borrowed.*

STATEMENT OF UNSECURED LOANS

(Rs. in million)

Particulars	As on June 30, 2006	As on June 30, 2005
From Others *Refer Note:1*	200.00	200.68
From Lakshmi Vilas Bank Ltd *Refer Note:2*	150.00	-
From Indusind Bank Limited *Refer Note:2*	-	50.00
Total	**350.00**	**250.68**

Notes:

1. *Unsecured Loans from others of Rs. 200 million in June 30, 2006 and Rs. 200.68 million in June 30, 2005 due to Lanco Kondapalli Power Private Limited These loans are due for repayment in June 2009.*
2. *Secured against personal guarantees given by certain Directors of the Company.*

ANNEXURE G

DETAILS OF SUNDRY DEBTORS

(Rs. in million)

Particulars	**As on June 30, 2006**
(Unsecured, Considered good)	
Outstanding for a period exceeding six months	69.78
Other Debts*	673.25
(Considered Doubtful)	
Outstanding for a period exceeding six months	4.48
Less : Provision	4.48
Total	**743.03**

** Out of the above Rs. 322.05 Millions are due from private companies in which directors of the company are directors as on June 30, 2006.*

ANNEXURE H

STATEMENT OF LOANS AND ADVANCES

(Rs. in million)

LOANS AND ADVANCES	**As on June 30, 2006**
(Unsecured and Considered Good)	
Loans to employees	1.86
Advance to subsidiaries	1.00
Advance recoverable in cash or in kind or for value to be received	
Sub Contractors*	350.04
Others	213.85
Advance to Group Companies towards Share Application Money pending Allotment	1,083.96
Deposits with Government Authorities	1.98
Security Deposits	190.74
Advance tax (Net of provisions)	1.73
(Unsecured and Considered Doubtful)	
Advance recoverable in cash or in kind or for value to be received	
Others	
Provision for doubtful advances - Others	1.22
Security Deposits	
Provision for doubtful deposits	3.81
Total	**1,840.13**

** Out of the above Rs.54.51 Millions is due from a firm in which directors of the company are partners as at June 30, 2006.*

ANNEXURE I

STATEMENT OF QUOTED INVESTMENTS MADE AND THEIR MARKET VALUE AS ON JUNE 30, 2006

(Rs. in million)

Name of the Company	Number of Shares/Units	Book Value	Market Value
In Equity shares of Rs. 10/- each fully paid up			
Andhra Bank	31,054	2.11	1.94
Bank of Baroda	7,206	1.65	1.43
Total		**3.76**	**3.37**

ANNEXURE J

CAPITALISATION STATEMENT

Pre-issue

(Rs. in million)

Particulars	Debt as at June 30, 2006
Short Term Debt	343.74
Long Term Debt	779.47
Total Debt	**1,123.21**
Shareholders' Funds	
Share Capital	567.78
Reserves	2,436.67
Total Shareholders' Funds	**3,004.45**
Total Debt / Shareholders' Funds (Ratio)	**0.37**

Note: The capitalisation statement has been calculated on the basis of restated financial statements.

Post Issue

(Rs. in million)

Particulars	Debt as at June 30, 2006
Short Term Debt	343.74
Long Term Debt	779.47
Total Debt	**1,123.21**
Shareholders' Funds	·
Share Capital	·
Reserves	·
Total Shareholders' Funds	·
Total Debt / Shareholders' Funds (Ratio)	·

ANNEXURE K

STATEMENT OF TAX SHELTERS

(Rs. in million)

Particulars	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Profit before tax but after Extraordinary items as per books (A)	130.99	94.42	59.12	192.77	115.24
Tax Rate	33.66%	36.59%	36.88%	36.75%	35.70%
Tax at notional rate on profits	**44.09**	**34.55**	**21.80**	**70.84**	**41.14**
Adjustments:					
Permanent Differences (B)					
Exempt Income					
Dividend exempt u/s 10(34)	34.08	76.93	19.12	83.32	-
Profit on Sale of Investments exempt u/s 10(23G)	15.68	-	0.62	74.80	-
Income from Joint Venture exempt u/s 10(2A)	1.49	2.86	4.42	1.52	(0.57)
Other Adjustments					
Donations	(0.22)	(1.00)	(0.87)	(1.35)	(0.02)
Less: Deduction u/s 80G	0.10	0.50	0.25	-	0.02
Gratuity unpaid during the year	(0.71)		-	(0.72)	(0.28)
Diminution in value of Investments	-	(2.69)	(3.46)	-	-
Disallowance u/s 40A(3)	-	-	(0.04)	(0.16)	(0.41)
Prior Period Adjustments	(38.96)	-	-	(2.76)	(3.76)
Deduction u/s 80IA	15.55	17.52	3.82	-	-
Total Permanent Differences (B)	**27.01**	**94.12**	**23.86**	**154.65**	**(5.02)**
Timing Differences (C)					
Difference between tax depreciation and book depreciation	(14.69)	(17.84)	(6.84)	74.73	89.18
Disallowance u/s 43B	-	2.66	2.07	(8.93)	(2.85)
Loss on sale of Fixed Assets	(0.21)	(45.35)	(13.05)	(2.01)	(1.21)
Total Timing Differences (C)	**(14.90)**	**(60.53)**	**(17.82)**	**63.79**	**85.12**
Net Adjustments (B+C)	**12.11**	**33.59**	**6.04**	**218.44**	**80.10**
Tax Saving thereon	**4.08**	**12.29**	**2.23**	**80.28**	**28.60**
Income from Capital Gains / Other Sources (D)	-	4.50	(2.96)	49.37	-
Profit as per Income Tax Returns (E) = (A-B-C+D)	**118.88**	**65.33**	**50.12**	**23.70**	**35.14**
Taxable Income	**118.88**	**65.33**	**50.12**	**23.70**	**35.14**
Taxable Income	118.88	65.33	50.12	23.70	35.14
Tax as per Income tax as returned	40.00	22.93	19.04	8.60	12.55

Notes:

1. *The aforesaid statement of Tax Shelters has been prepared as per the standalone audited accounts of Lanco Infratech Limited and is not based on the profits of the 'Summary of Restated Profit and Loss Account'.*
2. *The figures for the year ended March 31, 2006 are based on the provisional computation of total income prepared by the Company. Since the same has not been filed, it is subject to any changes which may be made between the date of this statement and the date of filing the income tax return with Income tax authorities.*
3. *Statement of tax shelters is not applicable for the quarter ended June 30, 2006 and June 30, 2006.*

ANNEXURE L

Segment Reporting

The company is engaged in construction/project related activities. It is also engaged in business of Infrastructure Development activities through investments in Special Purpose Vehicles. Accordingly, revenues from construction/project activities and investment activities comprise the primary basis of segment information set out in these financial statements.

Income and operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment.

Fixed assets in relation to reportable segments are identified based on the assets, which are individually identifiable to that segment.

(Rupees in Millions)

Business Segments	Construction		Infrastructure Development		Power		Unallocable		Total	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenue	920.19	195.17	83.56	12.36	6.51	4.71	0.90	-	1,011.16	212.24
Subcontract Operating Expenses	717.71	161.90	-	-	0.52	0.49	-	-	718.23	162.39
Depreciation	1.01	0.67	-	-	3.96	3.96	-	-	4.97	4.63
Segmental Operating Profit/(Loss)	201.47	32.60	83.56	12.36	2.03	0.26	0.90	-	287.96	45.22
Interest Income/(expense), net			-	-	(1.35)	(0.97)	(25.01)	0.04	(26.36)	(0.93)
Other income/(expense), net	(31.22)	(12.91)	-	-	(0.36)	(0.34)	0.74	0.25	(30.84)	(12.99)
Profit/(Loss) before tax	170.25	19.69	83.56	12.36	0.32	(1.04)	(23.37)	0.29	230.76	31.30
Taxation -										
Current tax									48.40	6.80
Deferred tax									(1.58)	(3.45)
Fringe Benefit tax									0.16	0.07
Net Profit/(Loss) after taxation									183.78	27.88
Other Information										
Segment Assets	1,814.46	902.70	5,641.56	839.92	149.82	149.15	139.63	120.13	7,745.47	2,011.90
Capital Expenditure	8.32	0.92	-	-	-	-	-	-	8.32	0.92
Depreciation / Amortisation	24.11	21.30	-	-	65.58	49.76	-	-	89.69	71.06
Segment Liabilities	3,495.56	819.15	-	-	52.24	68.28	1,074.25	266.11	4,622.05	1,153.55

ANNEXURE M

DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS) 7 (REVISED)

(Rs. in million)

Particulars	As on June 30, 2006	As on June 30, 2005
1. Amount of Contract revenue recognized as revenue in the period	920.19	195.17
2. Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date.	1,066.29	301.47
3. Amount of customer advances outstanding for contracts in progress as on	2,368.80	362.85
4. Retention amount due from customers for contracts in progress as at	161.89	142.34

ANNEXURE N

LANCO HILLS TECHNOLOGY PARK PRIVATE LIMITED

(formerly known as Lanco Mantri Technology Park Private Limited)

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Quarter Ended June 30, 2006
Income/Revenue	
Increase in work in progress	36.23
	36.23
Expenditure	
Development Costs	36.23
Administration and Other Expenses	0.72
Finance Charges	0.04
	36.99
Profit Before Taxation	**(0.76)**
Provision for Taxation:	
Deferred	0.04
Fringe Benefits	0.04
Loss After Taxation	**(0.84)**
Total Adjustments	**-**
Tax impact on adjustments	**-**
Total adjustments net of tax impact	**-**
Adjusted Profit	**(0.84)**
Loss brought forward from Previous Year	(1.43)
Loss Carried to Balance Sheet	**(2.27)**

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in million)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	2.85	-
	Less : Depreciation	0.22	-
	Net Block	**2.63**	**-**
B.	**Investments**	**38.68**	-
C.	**Current Assets, Loans and Advances**		
	Inventories	78.90	-
	Cash and Bank Balances	138.46	0.10
	Other Current Assets	0.01	-
	Loans and Advances	2,054.96	-
	Total	**2,272.33**	**0.10**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	1.46	0.02
	Deferred Tax Liability	0.09	-
	Secured Loans	1,737.88	-
	Total	**1,739.43**	**0.02**
E.	**Net worth (A+B+C-D)**	**574.23**	**0.08**
	Net worth represented by:		
F.	**Share Capital**	0.10	0.10
G.	**Share Application Money**	576.40	-
H.	**Reserves and Surplus**		
	Profit and Loss Account	(2.27)	-
I.	**Miscellaneous Expenditure**		
	(To the extent not written off or adjusted)	-	0.02
J.	**Net Worth (F+G+H-I)**	**574.23**	**0.08**

NOTES TO THE ACCOUNTS

BACKGROUND

The company is developing 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 developed by the Company consists of IT Office Space, residential buildings and retail and commercial complex.

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

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

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 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 or 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.

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.

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.

Inventories/Work in Progress

Inventories including Real Estate development are stated at cost or net realisable 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.

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 financial statements.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged against revenue each year. Provision for Gratuity is made based on the actuarial valuation.

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.

Earnings per Share

The earnings considered in ascertaining the Company's Earnings per share (EPS) comprise of the net profit after tax (including the post-tax effect of extra ordinary items, if any). 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.

2. The Company was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approximately) land. The total cost of the land is Rs 427.01 crores out of which Rs.106.75 crores has been paid. The same has been considered as advance pending execution of Development Agreement, land demarcation, approach road and environmental clearances. All the related developmental costs incurred have been carried forward as development work-in-progress.

3. Lanco Infratech Limited, the holding company of the Company holds 7,500 (Previous period NIL) fully paid up equity shares.

4. No Profit and Loss Account has been prepared for quarter ended June 30, 2005, as there are no reportable items.

ANNEXURE O

ABAN POWER COMPANY LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

	Quarter ended June 30, 2006
Income/Revenue	
Operating Income	369.30
Other Income	6.09
	375.39
Expenditure	
Generation Expenses	191.81
Administration and Other Expenses	15.82
Employees Remuneration and Benefits	7.61
Finance Charges	70.67
Depreciation	79.59
	365.50
Profit Before Taxation	**9.89**
Provision for Taxation:	
Current	1.13
Fringe Benefit Tax	0.10
Profit After Taxation as per audited statement of accounts	**8.66**
Total Adjustments	**-**
Tax impact on adjustments	-
Total adjustments net of tax impact	**-**
Adjusted profits	**8.86**
Surplus brought forward from Previous Year	33.54
Accounting policy changes and prior period adjustments of previous years	-
Available for Appropriation	**42.20**
Adjusted available surplus carried to Balance Sheet	**42.20**

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	4,106.72	21.79
	Less : Depreciation	279.77	1.50
	Net Block	**3,826.95**	**20.29**
	Add: Capital Work in Progress	10.20	3,473.71
	Expenses during construction period pending allocation	-	541.32
	Total	**3,837.15**	**4,035.32**
B.	**Investments**	-	38.63
C.	**Current Assets, Loans and Advances**		
	Inventories	213.54	172.94
	Sundry Debtors	72.13	83.03
	Cash and Bank Balances	291.30	32.54
	Loans and Advances	25.76	34.16
	Other Current Assets	8.03	-
	Total	**610.76**	**322.67**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	100.13	55.34
	Secured Loans	2,987.38	3,023.08
	Total	**3,087.51**	**3,078.42**
E.	**Net worth (A+B+C-D)**	**1,360.40**	**1,318.20**
	Net worth represented by:		
F.	**Share Capital**	1,318.20	1,318.20
G.	**Reserves and Surplus**		
	Profit and Loss Account	42.20	-
	Total	**42.20**	**-**
H.	**Net Worth (F+G)**	**1,360.40**	**1,318.20**

III. (i) SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions:

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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.

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. Cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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" except interest paid for procurement of spare parts during construction period, which are charged off to Profit and Loss Account, after commencement of commercial operations.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher. 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.

Expenditure During Construction Period Pending Allocation

Expenses incurred towards execution of the power project during the construction period are classified as Preoperative Expenditure Pending Capitalisation. These have been suitably allocated to the appropriate asset heads on the completion of the project.

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

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.

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 Financial Statements.

Exchange fluctuation arising on repayment and reinstatement of outstanding foreign currency loans 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 contracts, the difference between the forward exchange rate and the exchange rate at the inception of the contract is recognized as income or expense over the life of the contract.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise profit after taxation. The number of shares used in computing Basic Earnings per Share is the weighed average number of shares outstanding during the year.

(ii) NOTES TO ACCOUNTS

1. Contingent Liabilities

(Rs. in Millions)

Particulars	As on June 30, 2006	As on June 30, 2005
Bank Guarantees Outstanding	26.55	75.45
Letter of Credit Outstanding	99.80	180.64

2. Sundry Debtors include an amount of Rs.5.81 millions receivable from Tamil Nadu Electricity Board (TNEB) against the Supply of electricity prior to commencement of commercial operations, pending final acceptance of the same. However management is of the view that the same will be recovered as per the terms of the PPA.

3. Provision for Adder payments under LTAPSA are charged to Profit & Loss Account based on Factored Fire Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

(Rs. in Millions)

Particulars	As at March 31, 2006	Provision made during the quarter	Amount used during the quarter	As at 30-06-2006
Provision for operations and maintenance	16.51	16.20	-	32.71

4. No Profit and Loss account has been prepared for the quarter ended June 30, 2005 as the Company commenced its commercial operations on August 11, 2005.

ANNEXURE P

LANCO KONDAPALLI POWER PRIVATE LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005
Income/Revenue		
Operating Income	1,410.54	1,350.87
Other Income	26.52	19.92
Total	**1,437.06**	**1,370.79**
Expenditure		
Generation Expenses	800.49	725.05
Administration and Other Expenses	36.75	31.05
Employees Remuneration and Benefits	8.88	5.42
Finance Charges	101.75	112.24
Depreciation	210.03	207.99
Total	**1,157.90**	**1,081.75**
Profit After Taxation as per audited accounts	247.69	264.51
Total Adjustments	**-**	**-**
Tax impact on adjustments	-	-
Total adjustments net of tax impact	**-**	**-**
Adjusted Profits	247.69	264.51
Surplus brought forward from Previous Year	155.43	106.82
Available for Appropriation	**403.12**	**371.33**
Debenture Redemption Reserve	(4.50)	(4.50)
General Reserve	-	5.33
Interim Dividend	-	238.00
Distribution Tax on Dividend	-	33.38
Adjusted available surplus carried to Balance Sheet	**407.62**	**99.11**

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	11,273.14	11,100.23
	Less : Depreciation	4,809.31	3,978.75
	Net Block	**6,463.83**	**7,121.48**
	Add: Capital Advances	4.40	-
	Total	**6,468.23**	**7,121.48**
B.	**Current Assets, Loans and Advances**		
	Inventories	514.44	518.80
	Sundry Debtors	764.13	292.32
	Cash and Bank Balances	1,081.57	988.53
	Other Current Assets	25.38	14.27
	Loans and Advances	420.64	447.01
	Total	**2,806.16**	**2,260.93**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	328.00	325.73
	Secured Loans	4,715.43	5,217.70
	Total	**5,043.43**	**5,543.43**
D.	**Net worth (A+B-C)**	**4,230.96**	**3,838.98**
	Net worth represented by:		
E.	**Share Capital**	3,400.01	3,400.01
F.	**Reserves and Surplus**		
	General Reserve	349.63	248.17
	Debenture Redemption Reserve	73.70	91.69
	Profit and Loss Account	407.62	99.11
	Total	**830.95**	**438.97**
G.	**Net Worth (E+F)**	**4,230.96**	**3,838.98**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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 & 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 minimum payments are accounted as and when due.

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. Cost of software is charged to Profit and Loss account in the year of purchase.

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".

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs. 5,000, which are fully depreciated in the year of acquisition and Leasehold Improvements which are depreciated over the period of lease. 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 is provided prospectively over the residual useful life of the asset.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the 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 year is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Investments are classified into current investments and long-term investments. Current investments are carried at lower of cost or market value. Long term investment are carried at cost less provision made to recognize any decline, other than temporary in the value of such investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

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.

Foreign Currency Transactions

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

Monetary Assets and 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.

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.

Retirement Benefits

Contribution to defined scheme such as Provident Fund is charged to profit and loss account as incurred on accrual basis. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise net profit after tax. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

II. Notes to the accounts

1. **Contingent Liabilities**

a) **Contingent Liabilities:**

(*Rs. in million*)

Particulars	As on June 30, 2006	As on June 30, 2005
Bank Guarantees Outstanding	102.73	102.73
Customs duty	449.55	449.55
Differential Customs Duty	196.40	196.40

b) 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.

c) APPCC (formerly APTRANSCO) raised claim for liquidated damages towards alleged delay in Scheduled Date of Completion of the Project for Rs. 951.6 Millions after period of more than five years. APPCC unilaterally adjusted power supply dues to the extent of Rs. 474.4 Millions against the above claim. Company has filed a writ petition before AP High Court and obtained stay order. 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.

2. In respect of the amounts billed by the company, for sale of electrical energy and for other claims, APTRANSCO has retained certain amounts pending resolution of issues like claim of force majeure, liquidated damages, etc (refer note 1e). 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.

3. The Company's operations relate to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been considered.

4. The Company has entered into certain operating lease agreements and an amount of Rs.0.70 millions (June 2005; Rs.0.63 millions) paid under such agreements has been charged to Profit & Loss Account. These agreements are cancellable in nature.

5. The Company has entered into hedging contracts to manage the risk of interest costs by swapping Floating Rates with Fixed Rates. The company hedged interest rates in respect of Foreign Currency Loans aggregating to USD 33.37 Millions (June 2005: USD 39.13 Millions).

6. Expenses incurred as per the terms of the operation and maintenance contract on repairs and maintenance, due to the composite nature of the contract, have been grouped and disclosed under Generation Expenses.

7. Provision for Adder payments under LTAPSA are charged to Profit & Loss Account base on Factored Fire Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

(*Rs. in million*)

Particulars	As at March 31, 2006	Provision made during the Quarter	Amount used during the Quarter	As at June 30, 2006
Provision for operations and maintenance	206.99	18.27	9.44	215.83

8. The Company was Originally incorporated in the State of Andhra Pradesh as Lanco Power Limited on August 21, 1995, subsequently renamed as Kondapalli Power Corporation Limited on April 1,1997, again the company was renamed as Lanco Kondapalli Power Limited on June 21,1999 and subsequently renamed as Lanco Kondapalli Power Private Limited on July 11, 2001.

ANNEXURE Q

GENTING LANCO POWER (INDIA) PRIVATE LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. In Millions)

	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005
Income/Revenue		
Operating Income	11.51	10.80
Other Income	0.28	0.54
	11.79	**11.34**
Expenditure		
Administration and Other Expenses	08.26	07.78
Expenditure reimbursable under operations and maintenance agreement	(2.43)	(3.70)
Employees Remuneration and Benefits	10.76	9.73
Expenditure reimbursable under operations and maintenance agreement	(9.54)	(8.44)
Depreciation	0.55	0.59
	7.60	**05.96**
Profit Before Taxation	**4.19**	**5.38**
Provision for Taxation:		
Current	1.51	1.71
Fringe benefit	0.09	0.09
Deferred	(0.08)	0.11
Profit After Taxation as per audited statement of accounts	**2.67**	**03.47**
Total Adjustments	-	-
Tax impact on adjustments	-	-
Total adjustments net of tax impact	-	-
Adjusted profits	**02.67**	**03.47**
Surplus brought forward from Previous Year	26.70	44.95
Adjusted available surplus carried to Balance Sheet	**29.37**	**48.42**

GENTING LANCO POWER (INDIA) PRIVATE LIMITED

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	31.04	29.64
	Less : Depreciation	15.26	13.02
	Net Block	**15.78**	**16.62**
B.	**Current Assets, Loans and Advances**		
	Sundry Debtors	32.97	35.80
	Cash and Bank Balances	22.24	33.98
	Other Current Assets	0.40	1.37
	Loans and Advances	4.75	2.74
	Total	**60.36**	**73.89**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	14.28	13.85
	Deferred Tax Liability	2.71	2.97
	Total	**16.99**	**16.82**
D.	**Net worth (A+B-C)**	**59.15**	**73.69**
	Net worth represented by:		
E.	**Share Capital**	18.72	18.71
F.	**Reserves and Surplus**	40.43	54.98
G.	**Net Worth (E+F)**	**59.15**	**73.69**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts are 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

Income from Services comprises of fees for services rendered and incentive, which are recognised as per the terms of the contract and are stated net of service tax.

Interest Income is recognised in the year in which it is accrued and stated at gross of tax deducted at source.

Fixed Assets & Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is calculated on assets at rates prescribed by Schedule XIV of the Companies Act, 1956 on straight-line method except in the case of office equipment depreciated at the rate of 7.07%, which is higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets costing Rs. 5,000 or less are depreciated in full in the year of purchase. Depreciation is charged on a pro-rata basis on assets purchased / sold during the period.

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 other than those relating to Fixed Assets.

Realised gains and losses on foreign exchange transactions other than those relating to Fixed Assets are recognised in the Profit and Loss Account.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year. Provision for Gratuity is made on the basis of actuarial valuation.

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.

Earnings Per Share

The earnings considered in ascertaining the company's Earnings Per Share comprise of net profit after tax. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

II. NOTES TO THE ACCOUNTS

1. The company is engaged in providing services to Lanco Kondapalli Power Private Limited (LKPPL) for operating and maintaining the facilities located at Kondapalli Industrial Development Area, Kondapalli for which an Operation & Maintenance Agreement has been entered into with LKPPL for the fees and reimbursement of expenses.
2. The Company has entered into various cancellable operating lease agreements and the amounts paid under such agreements have been charged to revenue as Profit and Loss Account. The company has not entered into any financial leases.
3. Deferred tax liability as at June 30, 2006 Rs. 2.71 millions (June 30, 2005- Rs. 2.97 millions) is on account of timing differences relating to depreciation.
4. Genting Lanco Power (India) Private Limited was originally incorporated as Eastern Generation Services (India) Private Limited in the State of NCT of Delhi & Haryana as on September 09, 1997 and subsequently the Registered office has been shifted from NCT of Delhi to Andhra Pradesh on December 10, 2004 and subsequently the name of the Company has been changed to Genting Lanco Power (India) Private Limited on February 23, 2005.

Auditor's Report

M/s. Narven Associates
Chartered Accountants
313, Lingapur House
Himayatnagar
Hyderabad 500 029

The Board of Directors
LANCO Electric Utility Limited,
LANCO House
141, Avenue #8
Banjara Hills
Hyderabad.

Dear Sirs,

We have examined the books and accounts of Lanco Electric Utility Limited ('LEUL' or 'the Company') for the Quarter ended June 30, 2006 and June 30, 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c. Instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Ltd,

We report that the profits of the company for the period ended June 30th 2006 are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for NARVEN ASSOCIATES
Chartered Accountants

Place: Hyderabad
Date : September 9, 2006

D.C. Naidu
Partner

LANCO ELECTRIC UTILITY LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Million)

		Quarter Ended June 30, 2006
Income/Revenue		
Operating Income		443.62
Other Income		0.14
Total		**443.76**
Expenditure		
Cost of Power Purchased		439.10
Administration and Other Expenses		0.62
Employees Remuneration and Benefits		1.02
Finance Charges		0.85
Depreciation		0.21
Amortization of Miscellaneous Expenditure (net)		0.09
Total		**441.89**
Profit Before Taxation		**1.87**
Provision for Taxation:		
Current		0.03
Deferred		(0.02)
Profit After Taxation as per audited statement of accounts		**1.86**
Total Adjustments		**-**
Tax impact on adjustments		-
Total adjustments net of tax impact		**-**
Adjusted Profits		**1.86**
Surplus brought forward from previous years		**(0.68)**
Adjusted available surplus carried to Balance Sheet		**1.18**

II. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	9.61	0.02
	Less : Depreciation	0.88	0.01
	Net Block	**8.74**	**0.01**
B.	**Investments**	**106.50**	-
C.	**Current Assets, Loans and Advances**		
	Sundry Debtors	62.46	-
	Cash and Bank Balances	49.94	0.28
	Other Current Assets	0.14	-
	Loans and Advances	44.44	14.80
	Total	**156.98**	**15.08**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	52.41	0.05
	Deferred Tax (Asset)	(0.29)	
	Unsecured Loan	8.02	
	Total	**60.14**	**0.05**
D.	**Net worth (A+B+C-D)**	**212.08**	**15.04**
	Net worth represented by:		
E.	**Share Capital**	**212.24**	**16.33**
F.	**Reserves and Surplus**		
	Profit and Loss Account	1.18	
G.	**Miscellaneous Expenditure**		
	(To the extent not written off or adjusted)	1.34	1.29
H.	**Net Worth (E+F-G)**	**212.08**	**15.04**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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:

The company generally follows mercantile system of accounting and recognizes significant items of income on accrual basis. Revenue from sale of energy and the cost of power purchased are recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Purchase Agreement, shall be accounted for in the year of acceptance.

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. 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.

Intangible assets

Operating License & Business Development are stated at cost less accumulated amortization. Intangible assets are amortised over their estimated useful life for 10 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. 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. 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.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to Profit & Loss Account each year. Provision for gratuity has been made on accrual basis based upon employee qualifying period of service for entitlement of this benefit.

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 substantially enacted tax rate. Deferred tax assets arising on account of unabsorbed depreciation or carry forward tax losses are recognized only to the extent that there is reasonable certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

NOTES ON ACCOUNTS

1. **Contingent Liabilities:**

(*Rs. in million*)

Particulars	**As on June 30, 2006**	**As on June 30, 2005**
Bank Guarantees Outstanding	40.00	-
Letter of credit outstanding	160.00	-

2. No Profit and Loss account has been prepared for the quarter ended June 30, 2005 as there are no items to be reported.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Lanco Hydro Power Ventures Private Limited,
Lanco House, 141, Avenue # 8
L.V. Prasad Marg
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Hydro Power Ventures Private Limited ('LHPVPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

LANCO HYDRO POWER VENTURES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As on June 30, 2006	As at June 30, 2005
A.	**Investments**	325.08	-
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	1.07	0.31
	Loans and Advances	93.23	19.12
	Total	**94.30**	**19.43**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	1.22	0.79
D.	**Net worth (A+B-C)**	**418.16**	**18.64**
	Net worth represented by:		
E.	**Share Capital**	425.60	0.10
F.	**Share Application Money**	-	18.72
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	7.44	0.18
H.	**Net Worth (E+F-G)**	**418.16**	**18.64**

II. SIGNIFICANT ACCOUNTING POLICIES:

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

M/s. N.B. Kumar & Co.,
Chartered Accountants
1-2-365/36/5, 1st Floor
B L N Mansion
Ramakrishna Mutt Road
Opposite Indira Park
Hyderabad 500 029

The Board of Directors
Vamshi Industrial Power Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Vamshi Industrial Power Limited ('VIPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for N.B. Kumar & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

N.B. Kumar
Proprietor

VAMSHI INDUSTRIAL POWER LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	1.63	0.13
	Less : Depreciation	0.16	0.01
	Net Block	**1.47**	**0.12**
	Add: Capital Work in Progress	31.45	5.28
	Add: Capital Advances	132.59	1.50
	Add: Expenditure Pending Allocation	25.42	3.89
	Total	**190.94**	**10.79**
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	4.72	1.18
	Other Current Assets	-	0.02
	Loans and Advances	9.24	1.49
	Total	**13.96**	**2.69**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	10.05	0.08
	Secured Loans	110.94	-
	Total	**120.99**	**0.08**
D.	**Net worth (A+B-C)**	**83.91**	**13.40**
	Net worth represented by:		
E.	**Share Capital**	73.63	0.50
F.	**Share Application Money**	10.52	13.14
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.24	0.24
H.	**Net Worth (E+F-G)**	**83.91**	**13.40**

SIGNIFICANT ACCOUNTING POLICIES:

Accounting Assumptions

These accounts 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.

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.

NOTES TO ACCOUNTS

1. **Capital Commitments**

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
	286.10	**-**

Auditor's Report

M/s. N.B. Kumar & Co.,
Chartered Accountants
1-2-365/36/5, 1st Floor
B L N Mansion
Ramakrishna Mutt Road
Opposite Indira Park
Hyderabad 500 029

The Board of Directors
Vamshi Hydro Energies Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Vamshi Hydro Energies Private Limited ('VHEPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for N.B. Kumar & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

N.B. Kumar
Proprietor

VAMSHI HYDRO ENERGIES PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	1.98	0.11
	Less : Depreciation	0.29	0.01
	Net Block	**1.69**	**0.10**
	Add: Capital Work in Progress	53.80	3.58
	Add: Capital Advances	118.94	-
	Add: Expenditure Pending Allocation	23.58	2.99
	Total	**198.01**	**6.67**
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	5.01	1.32
	Loans and Advances	7.47	1.47
	Total	**12.48**	**2.79**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	11.42	0.11
	Secured Loans	117.50	-
	Total	**128.92**	**0.11**
D.	**Net worth (A+B-C)**	**81.57**	**9.36**
	Net worth represented by:		
E.	**Share Capital**	71.03	0.22
F.	**Share Application Money**	10.59	9.19
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.05	0.05
H.	**Net Worth (E + F-G)**	**81.57**	**9.36**

II. SIGNIFICANT ACCOUNTING POLICES

Accounting Assumptions

These accounts 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.

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.

Notes to Accounts

1. Capital Commitments

(Rs. in million)

	As on June 30, 2006	As on June 30, 2005
	290.20	**-**

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Lanco Green Power Private Limited
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Green Power Private Limited ('LGPPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

LANCO GREEN POWER PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	10.04	5.38
	Less : Depreciation	2.63	0.88
	Net Block	7.41	4.50
	Add: Capital Work in Progress	111.00	20.02
	Add: Capital Advances	397.64	-
	Add: Expenditure during construction period, pending Allocation	126.02	25.21
	Total	**642.07**	**49.73**
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	5.52	3.00
	Other Current Assets	0.03	-
	Loans and Advances	31.04	5.17
	Total	**36.59**	**8.17**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	12.09	1.35
	Secured Loans	312.56	1.42
	Total	**324.65**	**2.77**
D.	**Net worth (A+B+C-D)**	**354.01**	**55.13**
	Net worth represented by:		
E.	**Share Capital**	354.10	0.10
F.	**Share Application Money**	-	55.12
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.09	0.09
H.	**Net Worth (E+F-G)**	**354.01**	**55.13**

SIGNIFICANT ACCOUNTING POLICES

Accounting Assumptions

These accounts 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.

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.

Notes to Accounts

1. Capital Commitments

(Rs. in million)

	As on June 30, 2006	As on June 30, 2005
	1,588.60	**-**

Auditor's Report

K.R. Bapuji & Co.,
Chartered Accountants
Flat No. 204, Vijaya Shree Apartments
Nagarjuna Nagar
Ameerpet
Hyderabad 500 073.

The Board of Directors
LANCO AMARKANTAK POWER PRIVATE LIMITED
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Amarkantak Power Private Limited ('LAPPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for K.R. Bapuji & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

K. R. Bapuji
Partner

LANCO AMARKANTAK POWER PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	117.11	5.49
	Less : Depreciation	1.03	0.28
	Net Block	**116.08**	**5.21**
	Add: Capital Work in Progress	386.42	8.04
	Add: Expenditure Pending Allocation	405.07	99.72
	Total	**907.57**	**112.97**
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	19.25	121.92
	Loans and Advances	2,600.71	550.61
	Investments	14.00	-
	Total	**2,633.96**	**672.53**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	208.79	3.47
	Secured Loans	1,979.90	519.58
	Total	**2,188.69**	**523.05**
D.	**Net worth (A+B-C)**	**1,352.84**	**262.45**
E.	Net worth represented by:		
	Share Capital	782.47	212.70
F.	**Share Application Money**	580.50	52.38
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	10.13	2.63
H.	**Net Worth (E+F-G)**	**1,352.84**	**262.45**

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. Significant Accounting Policies

Accounting Assumptions

These accounts 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.

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. 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.

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 financial statements.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to Profit & Loss Account each year. Provision for gratuity is made based on the actuarial valuation.

II. Notes to the Accounts:

1. **Contingent Liabilities**

(*Rs. in million*)

Particulars	As on June 30, 2006	As on June 30, 2005
Bank Guarantees Outstanding	175.55	-
Capital Commitment	16,995.10	10,050.51

2. Fixed Deposit Receipts of Rs. 10.19 Millions shown under Cash and Bank Balances are under lien with Banks for Guarantees issued by them.
3. Leasehold land taken on a 99 year lease from Chhattisgarh Industrial Development Corporation Limited (CSIDC), includes the compensation and related costs paid to CSIDC for acquiring the said land.
4. 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 year are considered as Pre-Operative Expenditure.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Clarion Power Corporation Limited
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Clarion Power Corporation Limited, ('CPCL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that the Loss of the company for the Quarter ended June 30th 2006 and Profit for the Quarter ended June 30th 2005 are as set out below. These profits(losses) (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

CLARION POWER CORPORATION LIMITED

I. Summary of Restated Profit and Loss Account

(Rs. In millions)

	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005
Income/Revenue		
Operating Income	54.19	55.67
Other Income	-	0.21
	54.19	**55.88**
Expenditure		
Generation Expenses	28.04	29.73
Administration and Other Expenses	7.14	3.31
Employees Remuneration and Benefits	3.71	2.28
Finance Charges	8.03	8.17
Depreciation	9.13	9.07
Amortisation of Miscellaneous Expenditure (net)	0.03	0.03
	56.08	**52.59**
Profit Before Taxation	**(1.89)**	**3.29**
Provision for Taxation:		
Current	0.01	0.28
Prior Period Items	0.94	-
Profit After Taxation as per audited statement of accounts	**(2.84)**	**3.01**
Impact on account of material adjustments and prior period items	0.94	-
Total Adjustments	**0.94**	**-**
Tax impact on adjustments	**-**	**-**
Total adjustments net of tax impact	**0.94**	**-**
Adjusted profits	**(1.90)**	**3.01**
Surplus brought forward from Previous Year	(88.40)	(50.65)
Adjusted available surplus carried to Balance Sheet	**(90.30)**	**(47.64)**

II. Summary of Restated Assets and Liabilities

(Rs. in million)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	492.37	488.63
	Less : Depreciation	85.74	49.24
	Net Block	**406.63**	**439.39**
	Add: Capital Work in Progress	5.25	0.86
	Total	**411.88**	**440.25**
B.	**Current Assets, Loans and Advances**		
	Inventories	21.80	10.83
	Sundry Debtors	37.99	34.75
	Cash and Bank Balances	7.54	7.45
	Loans and Advances	15.02	13.62
	Total	**82.36**	**66.65**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	51.05	26.15
	Secured Loans	279.82	328.70
	Unsecured Loans	-	17.14
	Total	**330.87**	**372.00**
D.	**Net worth (A+B+C)**	**163.37**	**134.90**
	Net worth represented by:		
E.	**Share Capital**	148.49	148.49
F.	**Share Application Money**	105.42	34.42
G.	**Reserves and Surplus**		
	Profit and Loss Account	(90.30)	(47.64)
	Total	**(90.30)**	**(47.64)**
H.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.24	0.37
I.	**Net Worth (E+F+G-H)**	**163.37**	**134.90**

III. (i) Significant Accounting Polices

Accounting Assumptions

These accounts 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be accounted for in the year of acceptance.

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.

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.

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 at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

Inventories

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.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to Profit & Loss Account each year. Provision for gratuity is made based on the actuarial valuation.

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 enacted tax rate. 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.

(ii) Notes on Accounts

1. **Adjustments / Regrouping arising out of change in accounting policies and prior period items**

(Rs. in million)

Particulars	**Quarter Ended June 30, 2006**	**Quarter Ended June 30, 2005**
Profit After Taxation as per audited statement of accounts – **(A)**	**(2.84)**	**3.01**
Adjustments on account of:		
Prior Period Items		
Prior Period expenses	0.94	-
Adjusted profit (A-B)	**(1.90)**	**3.01**

2. **Contingent Liability:**

(Rs. in million)

Particulars	**As on June 30, 2006**	**As on June 30, 2005**
Additional Customs Duty Demand	2.39	2.39
Demand for Entry Tax	10.35	10.35

3. 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 & from 23.5.2006 to 30.6.2006 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 company is receiving the sale proceeds based upon the APERC revised rate of Rs. 2.93 per unit of export of power to APTRANSCO for the period from 1.4.06 to 30.6.2006. The Hon'ble High Court of Andhra Pradesh has passed an interim order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sale Invoice raised is Rs.62.40 Lacs.

   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.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Rithwik Energy Systems Limited
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Rithwik Energy Systems Limited ('RESL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that the profits of the company for the Quarter ended June 30th 2006 and June 30th 2005 are as set out below. These profits (expressed in millions of rupees) have been arrived at after charging all expenses of working and management including depreciation and after making such adjustments (and regrouping) as in our opinion are appropriate and are subject to the notes given below.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

RITHWIK ENERGY SYSTEMS LIMITED

I. SUMMARY OF RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005
Income/Revenue		
Operating Income	36.91	32.74
Other Income	1.18	0.87
	38.08	**33.61**
Expenditure		
Generation Expenses	22.56	14.54
Administration and Other Expenses	2.47	2.02
Employees Remuneration and Benefits	1.46	2.16
Finance Charges	4.22	4.54
Depreciation	5.03	4.84
Amortisation of Miscellaneous Expenditure (net)	0.02	0.02
	35.76	**28.12**
Profit Before Taxation	**2.32**	**5.49**
Provision for Taxation:		
Current	0.16	0.46
Prior Period Item	0.97	
Profit After Taxation as per audited statement of accounts	**1.19**	**5.03**
Impact on account of material adjustments and prior period items	**(0.97)**	
Total Adjustments	**(0.97)**	**-**
Tax impact on adjustments	-	-
Total adjustments net of tax impact	**(0.97)**	**-**
Adjusted profits	**2.16**	**5.03**
Surplus brought forward from Previous Year	(14.62)	(2.74)
Adjusted available surplus carried to Balance Sheet	**(12.46)**	**2.29**

II. Summary of Restated Assets and Liabilities

(Rs. In Millions)

		As at June 30, 2006	As at June 30, 2005
A.	**Fixed Assets**		
	Gross Block	279.67	274.13
	Less : Depreciation	74.05	54.36
	Net Block	**205.62**	**219.77**
	Add: Capital Work in Progress	2.43	0.80
	Total	**208.05**	**220.57**
B.	**Investments**	0.02	0.02
C.	**Current Assets, Loans and Advances**		
	Inventories	24.02	4.56
	Sundry Debtors	24.91	39.71
	Cash and Bank Balances	1.75	1.61
	Loans and Advances	7.00	7.39
	Total	**57.68**	**53.27**
D.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	7.30	1.84
	Secured Loans	157.37	179.76
	Unsecured Loans	11.48	-
	Total	**176.15**	**181.60**
E.	**Net worth (A+B+C-D)**	**89.60**	**92.26**
	Net worth represented by:		
F.	**Share Capital**	90.12	90.12
G.	**Share Application Money**	12.00	-
H.	**Reserves and Surplus**		
	Profit and Loss Account	(12.46)	2.29
	Total	**(12.46)**	**2.29**
I.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.06	0.15
J.	**Net Worth (F+G+H-I)**	**89.60**	**92.26**

(i) Significant Accounting Policies

Accounting Assumptions

These accounts 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be accounted for in the year of acceptance.

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.

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.

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 at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

Inventories

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.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to Profit & Loss Account each year. Provision for gratuity is made based on the actuarial valuation.

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 enacted tax rate. 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.

Notes on Accounts

1. **Adjustments / Regrouping arising out of change in accounting policies and prior period items**

(Rs. in million)

Particulars	**Quarter Ended June 30, 2006**	**Quarter Ended June 30, 2005**
Profit After Taxation as per audited statement of accounts – **(A)**	**1.19**	**5.03**
Adjustments on account of:		
Prior Period Items		
Impact on account of material adjustments and prior period items	(0.97)	-
Adjusted profit (A-B)	2.16	5.03

2. **Contingent Liability**

(Rs. in million)

Particulars	**As on June 30, 2006**	**As on June 30, 2005**
Additional Customs Duty Demand	6.52	6.52
Income Tax Demand	0.36	0.36

3. 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 & from 24.5.2006 to 30.6.2006 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 company is receiving the sale proceeds based upon the APERC revised rate of Rs. 2.89 per unit of export of power to APTRANSCO for the period from 1.4.06 to 30.6.2006. The Hon'ble High Court of Andhra Pradesh has passed an interim order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sale Invoice raised is Rs. 49.58 Lacs.

   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.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

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

Dear Sirs,

We have examined the books and accounts of Lanco Energy Private Limited, ('LEPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

LANCO ENERGY PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. In Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	9.77	-
	Less : Depreciation	0.85	-
	Net Block	**8.92**	**-**
	Add: Capital Work in Progress	408.02	-
	Expenditure Pending Allocation	22.02	0.39
	Total	**438.96**	**0.39**
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	12.55	0.56
	Loans and Advances	2.52	0.07
	Total	**15.07**	**0.63**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	208.15	0.01
	Unsecured Loans	10.00	3.60
	Total	**218.15**	**3.61**
D.	**Net worth (A+B-C)**	**235.88**	**(2.59)**
	Net worth represented by:		
E.	**Share Capital**	239.61	0.11
F.	**Share Application Money**	0.03	1.03
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	3.75	3.73
H.	**Net Worth (E+F-G)**	**235.88**	**(2.59)**

II. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

K.R. Bapuji & Co.,
Chartered Accountants
Flat No. 204, Vijaya Shree Apartments
Nagarjuna Nagar
Ameerpet
Hyderabad 500 073.

The Board of Directors
LANCO HYDRO ENERGIES PRIVATE LIMITED
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Lanco Hydro Energies Private Limited ('LHEPL' or 'the Company') for the Quarter ended June 30th 2006 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Ltd in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited.

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for K.R. Bapuji & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

K. R. Bapuji
Partner

LANCO HYDRO ENERGIES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. In Millions)

		As on June 30, 2006
A.	**Fixed Assets**	
	Expenditure During Construction Pending Allocation	165.68
B.	**Current Assets, Loans and Advances**	
	Cash and Bank Balances	0.36
	Loans and Advances	14.91
	Total	**15.27**
C.	**Less : Liabilities and Provisions**	
	Current Liabilities and Provisions	0.01
D.	**Net worth (A+B-C)**	**180.94**
	Net worth represented by:	
E.	**Share Capital**	180.95
F.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.01
G.	**Net Worth (E-F)**	**180.94**

II. SIGNIFICANT ACCOUNTING POLICIES:

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Coral Agro Estates Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Coral Agro Estates Private Limited, ('CAEPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

CORAL AGRO ESTATES PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in Millions)

		As on June 30, 2006	As on June 30, 2005
A.	**Fixed Assets**		
	Gross Block	16.09	16.08
B.	**Current Assets, Loans and Advances**		
	Cash and Bank Balances	-	0.02
	Loans & Advances	-	0.04
	Total	**-**	**0.06**
C.	**Less : Liabilities and Provisions**		
	Current Liabilities and Provisions	0.01	0.01
D.	**Net worth (A+B-C)**	**16.08**	**16.13**
	Net worth represented by:		
E.	**Share Capital**	16.10	0.10
F.	**Share Application Money**	0.30	16.08
G.	**Miscellaneous Expenditure** (To the extent not written off or adjusted)	0.32	0.05
H.	**Net Worth (E+F-G)**	**16.08**	**16.13**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Diamond Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Diamond Farms Private Limited ('DFPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

DIAMOND FARMS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	2.49	16.81
B. Current Assets, Loans and Advances		
Cash and Bank Balances	0.15	0.05
C. Liabilities and Provisions		
Current Liabilities and Provisions	0.02	0.02
D. Net worth (A+B-C)	**2.62**	**16.84**
Net worth represented by:		
E. Share Capital	2.82	0.10
F. Share Application Money	-	16.83
G. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.20	0.09
H. Net Worth (E+F-G)	**2.62**	**16.84**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Garnet Agro Estates Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Garnet Agro Estates Private Limited ('GAEPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

GARNET AGRO ESTATES PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	**17.95**	**17.65**
B. Current Assets, Loans and Advances		
Cash and Bank Balances	0.13	0.020
C. Less : Liabilities and Provisions		
Current Liabilities and Provisions	**0.75**	**0.83**
D. Net worth (A+B-C)	**17.33**	**16.84**
Net worth represented by:		
E. Share Capital	17.46	7.43
F. Share Application Money	0.30	9.70
G. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.43	0.29
H. Net Worth (E+F-G)	**17.33**	**16.84**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

V.S.P.N & Co.,
Chartered Accountants
Flat No: 4, Rukimini Apartments
Yousufguda Checkpost
Hyderabad 500 045.

The Board of Directors
Neptune Projects Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Neptune Projects Private Limited, ('NPPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares by M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for V S P N & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

N. HARI BABU
Partner

NEPTUNE PROJECTS PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	**8.57**	**-**
B. Current Assets, Loans and Advances		
Cash and Bank Balances	0.01	0.01
Loans and Advances	0.08	0.08
Total	**0.09**	**0.09**
C. Less : Liabilities and Provisions		
Current Liabilities and Provisions	**0.01**	**0.01**
D. Net worth (A+B-C)	**8.65**	**0.08**
Net worth represented by:		
E. Share Capital	8.84	0.10
F. Share Application Money	0.01	-
G. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.20	0.02
H. Net Worth (E+F-G)	**8.65**	**0.08**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

AUDITOR'S REPORT

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Pearl Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Pearl Farms Private Limited ('PFPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

PEARL FARMS PRIVATE LIMITED

I. Summary of Restated Assets and Liabilities

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	**9.93**	**20.57**
B. Investments	25.17	
C. Current Assets, Loans and Advances		
Cash and Bank Balances	0.09	-
Loans and Advances	0.02	0.01
Total	**0.11**	**0.01**
D. Less : Liabilities and Provisions		
Current Liabilities and Provisions	0.02	0.01
E. Net worth (A+B+C-D)	**35.19**	**20.57**
Net worth represented by:		
F. Share Capital	10.22	1.90
G. Share Application Money	25.20	18.69
H. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.23	0.02
I. Net Worth (F+G-H)	**35.19**	**20.57**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

AUDITOR'S REPORT

P. MURALI & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad 500 082.

The Board of Directors
Ruby Agro Farms Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Ruby Agro Farms Private Limited ('RAFPL' or 'the Company') for the Quarter ended June 30^{th} 2006 and June 30^{th} 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for P MURALI & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

P. Murali Mohan Rao
Partner

RUBY AGRO FARMS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	**21.82**	**21.80**
B. Current Assets, Loans and Advances		
Cash and Bank Balances	**0.05**	**-**
C. Less : Liabilities and Provisions		
Current Liabilities and Provisions	**0.01**	**0.02**
D. Net worth (A+B-C)	**21.86**	**21.78**
Net worth represented by:		
E. Share Capital	22.16	11.31
F. Share Application Money	-	10.50
G. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.30	0.03
H. Net Worth (E+F-G)	**21.86**	**21.78**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

Auditor's Report

V.S.P.N & Co.,
Chartered Accountants
Flat No. 4, Rukimini Apartments
Yousufguda Checkpost
Hyderabad 500 045.

The Board of Directors
Uranus Projects Private Limited,
Lanco House, 141, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have examined the books and accounts of Uranus Projects Private Limited, ('UPPL' or 'the Company') for the Quarter ended June 30th 2006 and June 30th 2005 being the last date to which the accounts of the Company have been made up.

The preparation and presentation of the summary financial statements are the responsibility of the Company's management. These summary financial statements are proposed to be included in the Offer Document of M/s Lanco Infratech Limited in connection with the proposed initial public issue of M/s Lanco Infratech Limited.

In accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by M/s Lanco Infratech Limited in connection with the initial public offer of equity shares of M/s Lanco Infratech Limited,

We report that, the company is yet to commence commercial operation and no Profits are generated. However, Preoperative expenditure in Balance sheet is arrived at after charging all expenses of working and management and after making such adjustments as in our opinion are appropriate and are subject to the notes given thereon.

The relevant restated summary financial statements for the period have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines, based on the audited financial statements submitted by us to the members of the company. The preparation and presentation of such restated summary financial statements are the responsibility of the management.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed initial public issue of equity shares in Lanco Infratech Limited and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for V S P N & Co.,
Chartered Accountants

Place: Hyderabad
Date: September 9, 2006

N. HARI BABU
Partner

URANUS PROJECTS PRIVATE LIMITED

I. SUMMARY OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

	As on June 30, 2006	As on June 30, 2005
A. Fixed Assets		
Gross Block	**5.85**	**-**
B. Current Assets, Loans and Advances		
Cash and Bank Balances	0.11	0.02
Loans and Advances	0.08	0.08
Total	**0.19**	**0.10**
C. Less : Liabilities and Provisions		
Current Liabilities and Provisions	0.01	0.01
Unsecured Loans	-	0.01
Total	**0.01**	**0.02**
D. Net worth (A+B-C)	**6.03**	**0.08**
Net worth represented by:		
E. Share Capital	6.25	0.10
F. Miscellaneous Expenditure (To the extent not written off or adjusted)	0.22	0.02
G. Net Worth (E-F)	**6.03**	**0.08**

SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These accounts 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.

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.

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

Dear Sirs,

We have examined the attached Summary of Consolidated Restated Assets and Liabilities of Lanco Infratech Limited ('the Company') and its subsidiaries and associates as at March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 and the Summary of Consolidated Restated Profit and Loss Account for the years ended on those dates (hereinafter referred as 'Summary Consolidated Restated Financial Statements') and are enclosed as Appendix II.

We did not examine the relevant restated summary financial statements of certain subsidiaries, included in the Summary Consolidated Restated Financial Statements of the Company. The restated summary financial statements of such subsidiaries reflect total assets of Rs. 53.07 millions as at March 31, 2002, Rs. 311.93 millions as at March 31, 2004, Rs.574.21 millions as at March 31, 2005 and Rs. 1,182.61 millions as at March 31, 2006 and total revenues of Rs. 142.97 millions as at March 31, 2004. Further, we also did not examine the restated summary financial statements of associates whose financial statements reflect the consolidated entities' share of profits/(losses) of Rs.0.02 million, Rs.0.35 million, Rs. (11.03) millions, Rs. 0.44 million as at March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 respectively included in the Summary Consolidated Restated Financial Statements. These financial statements have been examined 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 and associates, is based solely on the report of the other auditors.

The preparation and presentation of the Summary Consolidated Restated Financial Statements are based on the Consolidated Financial Statements of the Company and are in accordance with the requirements of

(a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

(b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

(c) instructions dated April 10th, 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company.

The preparation and presentation of these Summary Consolidated Restated Financial Statements is the responsibility of the management of the Company.

In our opinion, the Summary Consolidated Restated Financial Statements of the Company enclosed as Appendix II to this report, read with the respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the India Companies Act, 1956. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if had been carried out in accordance with those standards.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: September 9 , 2006

APPENDIX - II

Lanco Infratech Limited

SUMMARY OF CONSOLIDATED RESTATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,

(Rs. in Millions)

	2006	2005	2004	2003	2002
I. INCOME					
Sales and Operating Income	1,471.01	1,839.21	1,292.56	1,745.62	1,617.44
Other Income	12.92	13.71	15.10	10.30	15.99
Total	**1,483.93**	**1,852.92**	**1,307.66**	**1,755.92**	**1,633.43**
II. EXPENDITURE					
Subcontract Cost and Other Construction Cost	742.24	760.37	651.26	1,003.23	785.23
Generation and Operating Expenses	516.23	862.45	394.82	463.35	538.30
Administration and Other Expenses	45.09	54.94	76.48	161.83	136.11
Interest and Finance Charges	36.28	60.50	78.52	27.14	36.00
Loss on sale of assets (Net)	0.21	48.04	13.25	1.77	1.21
Depreciation	18.91	40.00	40.73	23.88	17.18
Total	**1,358.96**	**1,826.30**	**1,255.06**	**1,681.20**	**1,514.03**
III. Profit Before Taxation and before Minority Interest/ Share of profits of Associates	**124.97**	**26.62**	**52.60**	**74.72**	**119.40**
Provision for Taxation					
- Current	40.00	23.51	20.46	14.70	12.40
- Fringe Benefit	0.28	-	-	-	-
- Deferred	(6.82)	(29.61)	(2.45)	13.82	-
IV. Profit After Taxation and before Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts	**91.51**	**32.72**	**34.59**	**46.20**	**107.00**
Minority Interest	(0.03)	4.63	6.21	-	-
Share of Profits of Associates (net)	79.13	64.37	42.35	49.60	-
V. Net Profit After Taxation, Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts - (A)	**170.67**	**92.46**	**70.73**	**95.80**	**107.00**
Total Adjustments	-	-	-	-	-
Tax Impact on Adjustments	-	-	-	-	-
Total Adjustments net of tax impact - (B)	**-**	**-**	**-**	**-**	**-**
VI. Net Adjusted Profit After Minority Interest and Share of profits of Associates (A+B)	**170.67**	**92.46**	**70.73**	**95.80**	**107.00**
Surplus brought forward from Previous year	381.23	288.77	218.04	275.52	211.42
VII. Profit available for appropriation	**551.90**	**381.23**	**288.77**	**371.32**	**318.42**
Appropriations					
General Reserve	-	-	-	16.55	-
Capital Reserve	-	-	-	-	42.90
Interim Dividend - Considered as Final	-	-	-	80.77	-
Deferred Tax liability-Opening	-	-	-	55.96	-
VIII. Adjusted Available Surplus carried to Balance Sheet	**551.90**	**381.23**	**288.77**	**218.04**	**275.52**

***Note**: The accompanying significant accounting policies and notes are an integral part of this statement.*

SUMMARY OF CONSOLIDATED RESTATED ASSETS AND LIABILITIES AS AT MARCH 31,

(Rs. in Millions)

	2006	2005	2004	2003	2002
I. Fixed Assets					
(a) Gross Block	234.66	198.31	616.56	395.20	390.31
(b) Less: Depreciation	85.51	66.70	114.11	75.03	52.62
(c) Net Block	**149.15**	**131.61**	**502.45**	**320.17**	**337.69**
(d) Capital Work in Progress	118.65	6.86	0.64	-	-
(e) Expenses during construction period pending allocation (net)	141.03	78.58	-	-	4.79
Total	**408.83**	**217.05**	**503.09**	**320.17**	**342.48**
II. Investments	1,014.78	596.03	819.51	479.13	522.38
III. Current Assets, Loans and Advances					
(a) Inventories	164.12	86.76	200.49	128.69	129.16
(b) Sundry Debtors	380.52	179.59	90.93	146.54	159.01
(c) Cash and Bank Balances	413.57	359.11	130.38	175.49	188.10
(d) Other Current Assets	1.83	2.47	10.40	24.29	26.90
(e) Loans and Advances	1,717.67	515.04	249.60	286.09	383.75
Total	**2,677.71**	**1,142.97**	**676.92**	**756.22**	**877.07**
IV. Liabilities and Provisions:					
(a) Current Liabilities and Provisions	1,313.49	308.90	615.00	662.29	748.47
(b) Share Application Money	267.30	21.85	-	-	48.12
(c) Secured Loans	780.88	132.00	301.75	196.77	176.75
(d) Unsecured Loans	616.92	631.04	275.77	6.26	105.90
(e) Deferred Tax Liabilities (net)	30.65	37.72	67.33	69.78	-
Total	**3,009.24**	**1,131.51**	**1,259.85**	**935.10**	**1,079.24**
V. Minority Interest	137.80	40.93	48.01	-	-
Net Worth (I+II+III-IV-V)	**954.28**	**783.61**	**691.66**	**620.42**	**691.01**
Net Worth represented by:					
VI. Equity Share Capital	**307.69**	**76.92**	**76.92**	**76.92**	**76.92**
VII. Reserves and Surplus					
Securities Premium	35.24	266.01	266.01	266.01	266.01
General Reserve	16.55	16.55	16.55	16.55	-
Capital Reserve	42.90	42.90	42.90	42.90	42.90
Capital Reserve (On Consolidation)	-	-	0.51	-	1.34
Profit & Loss Account	551.90	381.23	288.77	218.04	275.52
Total	**646.59**	**706.69**	**614.74**	**543.50**	**614.09**
Net Worth (VI+VII)	**954.28**	**783.61**	**691.66**	**620.42**	**691.01**

Note: *The accompanying significant accounting policies and notes are an integral part of this statement.*

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED RESTATED ACCOUNTS

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 structure, 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 years ending March 31, are listed below:

Sl No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
1	Lanco Electric Utility Limited (LEUL)	Subsidiary	50.93 %	48.06%	-	-	-
2	Lanco Hydro Power Ventures Private Limited (LHPVPL)	Subsidiary	86.85%	-	-	-	-
3	Lanco Mantri Technology Park Private Limited (LMTPPL)	Subsidiary	75.00%	-	-	-	-
4	Clarion Power Corporation Limited (CPCL)	Subsidiary	-	-	-	-	100.00%
5	Rithwik Energy Systems Limited (RESL) (Refer Note below)	Subsidiary	-	-	54.26%	-	-
6	Lanco Amarkantak Power Private Limited (LAPPL)	Subsidiary	-	63.40%	-	-	-
7	Vamshi Hydro Energies Private Limited (VHEPL)	Associate	-	37.04%	-	-	-
8	Vamshi Industrial Power Private Limited (VIPPL)	Associate	-	42.00%	-	-	-

Sl No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
9	LAPPL	Associate	48.01%	-	-	-	-
10	CPCL	Associate	46.57%	46.57%	49.04%	49.03%	-
11	RESL (Refer Note below)	Associate	45.69%	45.69%	-	24.86%	-
12	Aban Power Company Limited (APCL)	Associate	11.74%	11.74%	45.87%	-	-
13	Lanco Kondapalli Power Private Limited (LKPPL)	Associate	7%	7%	7%	7%	7%

Subsidiaries of LHPVPL

Sl No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
1	Lanco Green Power Private Ltd (LGPPL)	Subsidiary	100%	-	-	-	-
2	VHEPL	Subsidiary	100%	-	-	-	-
3	VIPPL	Subsidiary	100%	-	-	-	-

3. **The Significant Accounting Policies are as follows:**

a) **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. 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.

b) **Operations and Maintenance**

APCL 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.

c) **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 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.

d) 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.

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.

In case of APCL, RESL and CPCL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

e) 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.

f) Inventories

In case of LITL, inventories after providing for obsolescence are valued as under:

a) Stores and Spares on a First In First Out basis.

b) Project and Construction related Work-in-progress at cost or lower.

In case of LHTPPL, inventories including Real Estate development are stated at cost or net realisable 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

g) 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.

h) Retirement Benefits

Retirement benefits are accounted for on the basis of actuarial valuation, with contributions to provident fund charged against revenue each year.

i) 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.

j) Earnings per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax (including the post-tax effect of any extra-ordinary items, if any). 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.

k) 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 a period of 5 years.

l) 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 Financial Statements of the Company and its subsidiaries and associates:

i. Contingent Liabilities

(Rs. in Millions)

	Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
a)	Bank Guarantees outstanding	435.85	187.73	162.15	265.40	262.11
b)	Corporate Guarantees outstanding	6,388.20	7,348.42	8,941.90	11,023.55	10,449.60
c)	Bills discounted	-	-	30.00	-	-
d)	Disputed Sales Tax	1.37	1.37	-	-	-

ii. CAPITAL COMMITMENTS

(Rs. in Millions)

	Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 200
a)	Estimated Value of Contracts remaining to be executed on capital account, not provided for (net of advances)	-	1,360.00	-	-	-

iii. During the year 2005-06, as per the arbitration award received from the tribunal, a sum of Rs.18.71 Millions (Previous year - Rs. 15.42 Millions) is 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 is recoverable; no provision is required at this stage.

iv. In the year 2006, 23,076,666 fully paid equity shares were allotted by the Company as fully paid up Bonus Shares by capitalization of Securities Premium and General Reserve Account.

v. Sundry Debtors of LITL for the year 2005-06 included an amount of Rs. 231.89 millions due from a private company in which directors of the company are directors.

vi. Advances recoverable from sub contractors of LITL for the year 2005-06 included an amount of Rs. 40.30 millions due from a firm in which directors of the company are partners.

vii. Loans and Advances

a. Loans and advances include share application money given to group companies, pending allotment.

b. LMTPPL was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approx.) land. The total cost of the land is Rs 4,266.60 Millions out of which Rs.600.00 Millions has been paid. The same has been considered as advance, pending execution of development agreement, land demarcation, approach road and environmental clearances.

viii. Operating Income of LITL includes income from dividends and profit on sale of investments, as main activity of LITL includes investments.

ix. Others:

a. CPCL, LAPPL and LHPVPL are in construction stage. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under 'Expenditure during construction period, pending allocation (net)'.

b. LEUL has commenced commercial operations on January 21, 2006. Accordingly, the profit and loss account for this company has been drawn up from that date.

x. **Disclosure pursuant to Accounting Standard (AS) 7 (Revised)**

(Rs. In Millions)

	Particulars	2006	2005	2004
1.	Amount of Contract revenue recognized as revenue in the period	1,160.37	1,646.82	1,150.26
2.	Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	1,281.82	1,789.83	1,338.78
3.	Amount of customer advances outstanding for contracts in progress as at 31 March,	1,436.75	323.63	321.45
4.	Retention amount due from customers for contracts in progress as at 31 March,	127.85	149.24	96.68

xi. **Operating Leases**

The consolidated entities have entered into certain operating lease agreements. An amount of Rs. 2.36 millions (2005 – Rs. 1.64 millions, 2004 – Rs. 3.91 millions, 2003- Rs. 4.40 millions and 2002- Rs. 11.01 millions) paid under such agreements has been disclosed as ‘Rent’ under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancellable in nature.

Auditors' Report

To

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

Dear Sirs,

We have examined the attached Summary of Consolidated Restated Assets and Liabilities of Lanco Infratech Limited ('the Company') and its subsidiaries and associates as at June 30, 2005 and June 30, 2006 and the Summary of Consolidated Restated Profit and Loss Account for the quarters ended on those dates (hereinafter referred as 'Summary Consolidated Restated Financial Statements') and are enclosed as Appendix II.

We did not examine the relevant restated summary financial statements of certain subsidiaries, included in the Summary Consolidated Restated Financial Statements of the Company. The restated summary financial statements of such subsidiaries reflect total assets of Rs.6,747.42 millions as at June 30, 2006 and Rs. 785.79 millions as at June 30, 2005 and total revenues of Rs.470.15 millions as at June 30, 2006. Further, we also did not examine the restated summary financial statements of associates whose financial statements reflect the consolidated entities' share of losses of Rs.0.63 million and Rs.0.78 million as at June 30, 2006 and June 30, 2005 respectively, included in the Summary Consolidated Restated Financial Statements. These financial statements have been examined 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 and associates, is based solely on the report of the other auditors.

The preparation and presentation of the Summary Consolidated Restated Financial Statements are based on the Consolidated Financial Statements of the Company and are in accordance with the requirements of

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI on January 19, 2000 in pursuance of Section 11 of The SEBI Act, 1992 ("the SEBI Guidelines"), and

c) instructions dated April 10th 2006 received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer of equity shares in the Company.

The preparation and presentation of these Summary Consolidated Restated Financial Statements is the responsibility of the management of the Company.

In our opinion, the Summary Consolidated Restated Financial Statements of the Company enclosed as Appendix II to this report, read with the respective significant accounting policies and notes to the accounts and after making appropriate groupings and adjustments, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

This report is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000) and paragraph B(1) of Part II of Schedule II to the Indian Companies Act, 1956. Our work has not been carried out in accordance with the auditing standards generally accepted in the United States of America or outside of India and accordingly should not be relied on as if had been carried out in accordance with those standards.

P. Rama Krishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: September 9 , 2006

APPENDIX – II

CONSOLIDATED RESTATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED JUNE 30,

(Rs. in Millions)

	2006	2005
I. INCOME		
Sales and Operating Income	1,101.68	195.56
Other Income	7.90	5.44
Total	**1,109.58**	**201.00**
II. EXPENDITURE		
Subcontract Cost and Other Construction Cost	327.29	118.77
Construction, Generation and Operating Expenses	512.02	43.62
Administration and Other Expenses	43.51	11.63
Interest and Finance Charges	56.65	7.56
Loss on sale of assets (Net)	0.35	0.1
Depreciation	29.12	4.63
Total	**968.94**	**186.36**
III. Profit Before Taxation and before Minority Interest/ Share of profits of Associates	**140.64**	**14.64**
Provision for Taxation		
- Current	48.74	6.80
- Fringe Benefit	0.22	0.07
- Deferred	(1.60)	(3.45)
IV. Profit After Taxation and before Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts	**93.28**	**11.22**
Minority Interest	0.87	-
Share of Profits of Associates (net)	38.19	17.73
V. Net Profit After Taxation, Minority Interest and Share of profits of Associates as per audited consolidated statement of accounts - (A)	**130.60**	**28.95**
Adjustments on account of changes in accounting policies (Refer Note III4(i)(a))	-	-
Tax Impact on Adjustments		
Total Adjustments net of tax impact - (B)	**-**	**-**
VI. Net Adjusted Profit After Minority Interest and Share of profits of Associates (A+B)	**130.60**	**28.95**
Surplus brought forward from Previous year	573.68	403.01
VII. Adjusted Available Surplus carried to Balance Sheet	**704.28**	**431.96**

Note: *The accompanying significant accounting policies and notes are an integral part of this statement.*

CONSOLIDATED RESTATED BALANCE SHEET AS AT JUNE 30

(Rs. in Millions)

	2006	2005
I. Fixed Assets		
(a) Gross Block	5,433.34	204.39
(b) Less: Depreciation	530.88	71.35
(c) Net Block	**4,902.46**	**133.04**
(d) Capital Work in Progress (including capital advances)	3,298.98	8.04
(e) Expenses during construction period, pending allocation (net)	766.75	99.74
Total	**8,968.19**	**240.82**
II. Investments	1,653.77	592.30
III. Current Assets, Loans and Advances		
(a) Inventories	569.02	76.85
(b) Sundry Debtors	621.29	135.33
(c) Cash and Bank Balances	886.22	371.74
(d) Other Current Assets	11.43	2.31
(e) Loans and Advances	2,885.26	1,218.13
Total	**4,973.22**	**1,804.36**
IV. Liabilities and Provisions:		
(a) Current Liabilities and Provisions	2,774.38	834.73
(b) Share application money	181.21	52.39
(c) Secured Loans	8,456.51	590.33
(d) Unsecured Loans	350.00	250.68
(e) Deferred Tax Liabilities (net)	29.09	34.27
Total	**11,791.19**	**1,762.40**
V. Minority Interest	781.29	40.74
Net Worth (I+II+III-IV-V)	**3,022.70**	**834.34**
Net Worth represented by:		
VI. Equity Share Capital	**567.78**	**76.92**
VII. Reserves and Surplus		
Securities Premium	1,691.19	266.01
General Reserve	16.55	16.55
Capital Reserve	42.90	42.90
Profit & Loss Account	704.28	431.96
Total	**2,454.92**	**757.42**
Net Worth (VI+VII)	**3,022.70**	**834.34**

Note: *The accompanying significant accounting policies and notes are an integral part of this statement.*

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 structure, 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. One of the Subsidiaries 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 for each of the quarters are listed below:

Sl. No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			June 30, 2006	June 30, 2005
1	Aban Power Company Limited (APCL)	Subsidiary	51.02 %	11.74 %
2	Rithwik Energy Systems Limited (RESL)	Subsidiary	56.67 %	45.69 %
3	Clarion Power Corporation Limited (CPCL)	Subsidiary	86.01 %	46.57 %
4	Lanco Electric Utility Limited (LEUL)	Subsidiary	99.76 %	48.06 %
5	Lanco Amarkantak Power Private Limited (LAPPL)	Subsidiary	98.85 %	63.40 %
6	Lanco Hills Technology Park Private Limited (LHTPPL)	Subsidiary	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 %	-
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	Vamshi Hydro Energies Private Limited (VHEPL)	Associate	-	37.04 %
18	Vamshi Industrial Power Limited (VIPL)	Associate	-	42.00%
19	Lanco Kondapalli Power Private Limited	Associate	33.90%	7.00%
20	Genting Lanco Power (India) Private Limited	Associate	26.00%	-

Subsidiaries of Lanco Hydro Power Ventures Private Limited

Sl No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			June 30, 2006	June 30, 2005
1	Lanco Hydro Energies Private Limited (LHEPL)	Subsidiary	100.00 %	-
2	Vamshi Hydro Energies Private Limited (VHEPL)	Subsidiary	99.81 %	-
3	Vamshi Industrial Power Limited (VIPL)	Subsidiary	99.61 %	-

3. The Significant Accounting Policies are as follows:

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/Power purchase agreement. Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Distribution Agreement/Power purchase 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.

Operations and Maintenance

APCL 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.

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 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. In case of APCL, cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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.

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.

In case of APCL, RESL and CPCL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

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.

Inventories

In case of LITL, inventories after providing for obsolescence are valued as under:

a) Stores and Spares on a First In First Out basis.

b) Project and Construction related Work-in-progress at cost or lower.

In case of LHTPPL, inventories including Real Estate development are stated at cost or net realisable 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.

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.

Retirement Benefits

Retirement benefits are accounted for on the basis of actuarial valuation, with contributions to provident fund charged against revenue each year.

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.

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 the vesting period.

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 Restated Consolidated Financial Statements of the Company and its subsidiaries and associates:

i. Contingent Liabilities

(Rs. in Millions)

	Particulars	**June 30, 2006**	**June 30, 2005**
a)	Bank Guarantee	566.52	182.45
b)	Corporate Guarantee	6,615.86	7,062.33
c)	Entry Tax Liability	10.35	-
d)	Income Tax Liability	15.54	-
e)	Letter of Credit	340.64	-
f)	Sales Tax Liability	1.37	1.37
g)	Additional Customs Duty	8.91	-

ii. Capital commitments

(Rs. in Millions)

	Particulars	**June 2006**	**June 2005**
a)	Estimated Value of Contracts remaining to be executed on capital account, not provided for (net of advances)	19,160.00	10,050.51

iii. Prince Stone Investments Limited, the holding company of LITL holds 74,498,820 fully paid up equity shares of Rs. 5 each as at June 30, 2006. (Previous quarter - 6,208,235 fully paid up equity shares of Rs. 10 each)

iv. During the quarter ended June 30, 2006, 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 an Extra-ordinary General Meeting of the members held on June 7, 2006.

Further the equity shares of the company of a face value of Rs.5 each have been consolidated into a face value of Rs.10 each vide the Extra-ordinary General Meeting of the members held on July 30, 2006.

During the year ended June 2006, 23,076,666 fully paid equity shares were allotted by the Company as fully paid up Bonus Shares by capitalization of Securities Premium and General Reserve Account. During the quarter ended June 30, 2006, 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.

v. During the year 2005-06 as per the arbitration award received from the 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 is recoverable and no provision is required at this stage.

vi. In case of CPCL and RESL, sales invoices are raised from 1.4.2006 to 24.5.2006 at the rate of Rs 3.48 per unit of power & from 23.5.2006 to 30.6.2006 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 company is receiving the sale proceeds based upon the Andhra Pradesh Electricity Regulatory Commission (APERC) revised rate of Rs. 2.93 per unit of export of power to APTRANSCO for the period from 1.4.06 to 30.6.2006. The Hon'ble High Court of Andhra Pradesh has passed an interim order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the Sales Invoices raised is Rs.6.24 Millions (CPCL) and Rs.4.96 Millions (RESL). 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.

vii. In case of APCL, Sundry Debtors include an amount of Rs.5.81 Millions receivable from Tamil Nadu Electricity Board (TNEB) against the supply of electricity prior to commencement of commercial operations, pending final acceptance of the same. However management is of the view that the same will be recovered as per the terms of the PPA and no provision is required at this stage.

viii. Some of the long-term unquoted investments in equity shares held by LITL in its subsidiary and associate companies, have been pledged as security towards loan facilities sanctioned to the respective investee companies. Such investments in subsidiaries not being a part of these consolidated financial statements, details of such shares pledged have not been provided. The details of the pledged shares of the associates are as given below:

For the Quarter ended June 30, 2006	No. of Shares
Lanco Kondapalli Power Private Limited	115,260,000

For the Quarter ended June 30, 2005	No. of Shares
Aban Power Company Limited	15,471,309
Clarion Power Corporation Limited	6,915,140
Lanco Kondapalli Power Private Limited	23,800,000

ix. In case of LAPPL, Leasehold land taken on a 99 year lease from Chhattisgarh Industrial Development Corporation Limited (CSIDC) includes the compensation and related costs paid to CSIDC for acquiring the said land.

x. In case of LAPPL, Fixed Deposit Receipts of Rs. 10.19 Millions shown under Cash and Bank Balances are under lien with Banks for Guarantees issued by them.

xi. Loans and Advances

a) Advances recoverable from sub contractors of LITL for the Quarter ended June 30, 2006 included an amount of Rs. 54.51 millions due from a firm in which directors of the company are partners.

b) LHTPPL was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approx.) land. The total cost of the land is Rs 4,266.60 Millions out of which Rs.2,045.00 Millions has been paid. The same has been considered as advance, pending execution of development agreement, land demarcation, approach road and environmental clearances.

xii. In case of LAPPL, LEPL, LGPPL, LHPVPL, CAEPL, GAEPL, DFPL, RAFPL, PFPL, UPPL, NPPL, LHEPL, VIPL, VHEPL and LHEPL, Profit and Loss Account has not been prepared for the quarter as these Companies are 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).

xiii. **Disclosure pursuant to Accounting Standard (AS) 7 (Revised)**

(Rs. in Millions)

	Particulars	June 30, 2006	June 30, 2005
1.	Amount of Contract revenue recognized as revenue in the quarter	471.56	195.17
2.	Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	617.66	301.47
3.	Amount of customer advances outstanding for contracts in progress	1,438.18	362.85
4.	Retention amount due from customers for contracts in progress	72.58	142.34

xiv. **Operating Leases**

Some of the consolidated entities have entered into certain operating lease agreements. For the quarter ended June 30, 2006, an amount of Rs. 2.06 millions (June 2005 – Rs. 0.26 millions) and rs. 7.90 millions (June 2005 – Rs. 2.12 millions) paid under such agreements has been disclosed as 'rent' under administration and other expenses & expenditure during construction period, pending allocation (net) respectively. These agreements are cancellable in nature.

For the year ended March 31, 2006, An amount of Rs. 2.36 millions (March 2005 – Rs. 1.64 millions, March 2004 – Rs. 3.91 millions, March 2003- Rs. 4.40 millions and March 2002- Rs. 11.01 millions) paid under such agreements has been disclosed as 'Rent' under Administration and Other Expenses in the Restated Consolidated Profit and Loss Account. These agreements are cancellable in nature.

xv. **Employee Stock Option Scheme**

During the quarter, 5,012,064 equity shares of Rs. 5/- each were allotted in addition to 2,400,000 equity shares of Rs. 5/- 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 options which are vested as follows:

- o 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.
- o 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.
- o 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.
- o 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.
- o 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 were granted to eligible employees and were outstanding as at June 30, 2006.

Auditors Report for Consolidated Statements

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

Dear Sirs,

1. We have audited the attached 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, 2002, March 31, 2003, March 31, 2004, March 31, 2005, and March 31, 2006, the Consolidated Profit and Loss Account for the years ended on those dates, annexed hereto and the Consolidated Cash Flow statement for the years ended on those dates annexed hereto, 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. 53.07 millions as at March 31, 2002, Rs. 311.93 millions as at March 31, 2004, Rs. 574.21 millions as at March 31, 2005 and Rs. 1,182.61 millions as at March 31, 2006 and total revenues of Rs. 142.97 millions as at March 31, 2004. Further we did not audit the financial statements of associates whose financial statements reflect the consolidated entities' share of profits/(losses) of Rs.0.02 million, Rs.0.35 million, Rs. (11.03) millions, Rs. 0.44 million as at March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 respectively. 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 and associates, is based solely on the report of the other auditors.
4. We report that 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.
5. 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, 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, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.
   (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 years ended on March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.
   (c) in the case of the Consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.
6. This report is solely for your information and for inclusion in the offer document being issued by the Company in connection with the Initial Public Offer of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

P. Ramakrishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : June 16, 2006

APPENDIX - III

LANCO INFRATECH LIMITED
CONSOLIDATED BALANCE SHEET

(Rs. in Millions)

	Schedule Reference	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I. Sources of Funds						
1. Shareholders' Funds						
(a) Capital	1	307.69	'76.92	76.92	76.92	76.92
(b) Reserves and Surplus	2	646.59	706.69	614.74	543.50	585.77
		954.28	783.61	691.66	620.42	662.69
2. Minority Interest		137.80	40.93	48.01	-	-
3. Loan Funds						
(a) Secured Loans	3	780.88	132.00	301.75	196.77	176.75
(b) Unsecured Loans	4	616.92	631.04	275.77	6.26	105.90
4. Deferred Tax liabilities (Refer Note 4 (xiii) on schedule 19)		30.65	37.72	67.33	69.78	-
TOTAL		**2,520.53**	**1,625.30**	**1,384.52**	**893.23**	**945.34**
II. Application of Funds						
1. Fixed Assets						
(a) Gross Block	5	234.66	198.31	616.56	395.20	390.31
(b) Less: Depreciation		85.51	66.70	114.11	75.03	52.62
(c) Net Block		**149.15**	**131.61**	**502.45**	**320.17**	**337.69**
(d) Capital Work in Progress		118.65	6.86	0.64	-	-
(e) Expenses during construction period pending allocation (net)	6	141.03	78.58	-	-	4.79
		408.83	**217.05**	**503.09**	**320.17**	**342.48**
2. Investments	7	1,014.78	596.03	819.51	479.13	522.38
3. Current Assets, Loans and Advances						
(a) Inventories	8	164.12	86.76	200.49	128.69	129.16
(b) Sundry Debtors	9	380.52	179.59	90.93	146.54	159.01
(c) Cash and Bank Balances	10	413.57	359.11	130.38	175.49	188.10
(d) Other Current Assets	11	1.83	2.47	5.52	19.41	17.05
(e) Loans and Advances	12	1,717.67	515.04	249.60	286.09	383.75
		2,677.71	**1,142.97**	**676.92**	**756.22**	**877.07**
Less: Current Liabilities and Provisions:						
(a) Liabilities	13	1,311.84	307.63	612.09	660.74	747.51
(b) Share Application Money		267.30	21.85	-	-	48.12
(c) Provisions		1.65	1.27	2.91	1.55	0.96
		1,580.79	**330.75**	**615.00**	**662.29**	**796.59**
Net Current Assets		**1,096.92**	**812.22**	**61.92**	**93.93**	**80.48**
TOTAL		**2,520.53**	**1,625.30**	**1,384.52**	**893.23**	**945.34**
Significant Accounting Policies and Notes to the Consolidated Accounts	19					

The Schedules referred to above form 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 of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
June 16, 2006

Sridhar Lagadapati — **Vice Chairman**
G. Venkatesh Babu — **Joint Managing Director**

C. Krishna Kumar
Company Secretary
Hyderabad
June 14, 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

	Schedule Reference	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
I. INCOME						
Sales and Operating Income	14	1,471.01	1,839.21	1,292.56	1,745.62	1,617.44
Other Income	15	12.92	13.71	15.10	10.30	15.99
Total		**1,483.93**	**1,852.92**	**1,307.66**	**1,755.92**	**1,633.43**
II. EXPENDITURE						
Subcontract Cost and Other Construction Cost		742.24	760.37	651.26	1,003.23	785.23
Generation and Operating Expenses	16	516.23	862.45	394.82	463.35	538.30
Administration and Other Expenses	17	45.09	54.94	76.48	161.83	136.11
Interest and Finance Charges	18	36.28	60.50	78.52	27.14	36.00
Loss on sale of assets (Net)		0.21	48.04	13.25	1.77	1.21
Depreciation		18.91	40.00	40.73	23.88	17.18
Total		**1,358.96**	**1,826.30**	**1,255.06**	**1,681.20**	**1,514.03**
III. Profit Before Taxation and before Minority Interest/ Share of profits of Associate		**124.97**	**26.62**	**52.60**	**74.72**	**119.40**
Provision for Taxation						
Current		40.00	23.51	20.46	14.70	12.40
Deferred		(6.82)	(29.61)	(2.45)	13.82	-
Fringe Benefit		0.28	-	-	-	-
IV. Net Profit After Taxation and before Minority Interest and Share of profits of Associate		**91.51**	**32.72**	**34.59**	**46.20**	**107.00**
Minority Interest		(0.03)	4.63	6.21	-	-
Share of Profits of Associate (net)		79.13	64.37	42.35	49.60	-
V. Net Profit After Taxation, Minority Interest and Share of profits of Associate		**170.67**	**92.46**	**70.73**	**95.80**	**107.00**
Surplus brought forward		381.23	288.77	218.04	275.52	211.42
VI. Profit available for appropriation		**551.90**	**381.23**	**288.77**	**371.32**	**318.42**
Appropriations						
General Reserve		-	-	-	16.55	-
Capital Reserve		-	-	-	-	42.90
Interim Dividend - Considered as Final		-	-	-	80.77	-
Deferred Tax liability-Opening		-	-	-	55.96	-
VII. Balance carried to Balance Sheet		**551.90**	**381.23**	**288.77**	**218.04**	**275.52**
Earnings Per Share (Rs.): Basic and Diluted (Equity Share of Rs. 5/- each fully paid)		1.85	1.00	0.77	1.04	1.16
Significant Accounting Policies and Notes to the Consolidated Accounts	19					

The Schedules referred to above form 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 of Directors

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
June 16, 2006

Sridhar Lagadapati
Vice Chairman

G. Venkatesh Babu
Joint Managing Director

C. Krishna Kumar
Company Secretary
Hyderabad
June 14, 2006

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,

(Rupees in Million)

	2006	2005	2004	2003	2002
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit before taxation	124.97	26.62	52.60	74.72	119.40
Adjustments for :					
Depreciation	18.91	40.00	40.73	23.88	17.18
Loss from sale of Fixed Assets (net)	0.21	48.04	13.25	1.77	1.21
Interest Income	(9.25)	(2.67)	(6.05)	(2.97)	(10.49)
Interest Expenses	36.28	60.50	78.52	27.14	36.00
Amortisation of Miscellaneous expenditure	-	-	-	-	-
Cash generated from Operations before Working Capital Changes	**171.12**	**172.49**	**179.05**	**124.54**	**163.30**
Adjustments for :					
Inventories	(77.36)	113.73	(71.80)	0.47	(28.96)
Trade and other receivables / other assets	(1,395.54)	(366.26)	166.13	72.29	(191.47)
Current Liabilities and Provisions	1,249.79	(284.25)	(47.29)	(134.30)	514.34
Cash generated from operations	(51.99)	(364.29)	226.09	63.00	457.21
Direct Taxes Paid	(47.66)	(8.30)	(80.60)	20.78	(53.29)
Net Cash from Operating Activities	(99.65)	(372.59)	145.49	83.78	403.92
B. CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES					
(Purchase) / Sale of fixed assets (net)	(210.90)	198.00	(236.90)	(3.34)	(195.29)
(Purchase) / Sale of Investments (net)	(339.62)	287.85	(298.03)	92.85	(165.07)
Miscellaneous Expenses	-	-	-	-	-
Interest received	9.25	2.67	6.05	2.97	10.49
Net Cash from / (used in) Investing Activities	**(541.27)**	**488.52**	**(528.88)**	**92.48**	**(349.87)**
C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES					
Issue of common stock in consolidated subsidiaries	96.90	(12.22)	42.31	(1.34)	89.20
Proceeds / (Repayments) from / of Borrowings (Net)	634.76	185.52	374.49	(79.62)	5.56
Interest paid	(36.28)	(60.50)	(78.52)	(27.14)	(36.00)
Dividend paid	-	-	-	(80.77)	-
Net Cash from / (used in) Financing Activities	**695.38**	**112.80**	**338.28**	**(188.87)**	**58.76**
Net Increase / (decrease) in Cash and Cash Equivalents (A) + (B) + (C)	**54.46**	**228.73**	**(45.11)**	**(12.61)**	**112.81**
Cash and Cash Equivalents as at April 1,	**359.11**	**130.38**	**175.49**	**188.10**	**75.29**
Cash and Cash Equivalents as at March 31,	**413.57**	**359.11**	**130.38**	**175.49**	**188.10**

Notes:

1. *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.*
2. *Cash and Cash Equivalents include margin money deposits amounting to Rs. 44.24 Millions (2005 - Rs. 34.33 Millions, 2004 - Rs. 97.44 Millions, 2003 - Rs.92.53 Millions and 2002 - Rs.122.50 Millions)*

This is the Consolidated Cash Flow Statement
referred to in our report of even date.

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
June 16, 2006

For and on behalf of the Board of Directors

Sridhar Lagadapati
Vice Chairman

G. Venkatesh Babu
Joint Managing Director

C. Krishna Kumar
Company Secretary
Hyderabad
June 14, 2006

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in Millions)

Schedule 1	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SHARE CAPITAL					
Authorised					
75,000,000 (2005, 2004, 2003 & 2002 - 10,550,000) Equity Shares of Rs. 10/- each	750.00	105.50	105.50	105.50	105.50
Issued, Subscribed and Paid Up					
30,768,888 (2005, 2004, 2003 & 2002 - 7,692,222) Equity Shares of Rs.10/- each fully paid up	307.69	76.92	76.92	76.92	76.92
[Out of the above, 24,832,940 (2005 - 6,208,235) Equity Shares fully paid up are held by Prince Stone Investments Limited, which is the holding company with effect from 29th March, 2005]					
[2004, 2003 and 2002 - 6,208,235 Equity Shares fully paid up are held by Third Millenium Investments Limited, which was the holding company with effect from 27th December, 1999 to 28th March, 2005.] [Refer Note 4 (iv) on schedule 19]					
Total	**307.69**	**76.92**	**76.92**	**76.92**	**76.92**

Schedule 2	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
RESERVES AND SURPLUS					
Securities Premium Account					
As at the commencement of the year	266.01	266.01	266.01	266.01	266.01
Utilised for bonus issue	(230.77)	-	-	-	-
	35.24	**266.01**	**266.01**	**266.01**	**266.01**
General Reserve					
As at the commencement of the year	16.55	16.55	16.55	-	-
Additions during the year	-	-	-	16.55	-
	16.55	**16.55**	**16.55**	**16.55**	**-**
Capital Reserve					
As at the commencement of the year	42.90	42.90	42.90	42.90	-
Additions during the year *	-	-	-	-	42.90
	42.90	**42.90**	**42.90**	**42.90**	**42.90**
Capital Reserve [on consolidation]					
As at the commencement of the year	-	0.51	-	1.34	-
Loss on Dilution in Shareholding of Subsidiary	-	0.51	-	1.34	-
Additions during the year	-	-	0.51	-	1.34
	-	**-**	**0.51**	**-**	**1.34**
Profit & Loss Account	**551.90**	**381.23**	**288.77**	**218.04**	**275.52**
Total	**646.59**	**706.69**	**614.74**	**543.50**	**585.77**

** On account of Amalgamation with Encon Services Limited as at 1st April, 2001.*

(Rs. in Millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
LOAN FUNDS					
Secured Loans					
Term Loans					
Rupee loans					
From financial institutions	-	-	-	80.10	80.10
(Secured against first charge on 3MW wind power plant at Chitradurga District, in the State of Karnataka and further secured by personal guarantee given by certain directors of the company and collateral securities.)					
From Banks	725.43	57.80	240.42	-	-
(Out of the above (2006- Rs.275.43 Millions; 2005 - Rs. 57.80 Millions & 2004 - Rs. 70.42 Millions) relating to Lanco Infratech Limited (LITL) is Secured against first charge on 3MW wind power plant at Chitradurga District, in the State of Karnataka and further secured by personal guarantee given by certain directors of the company and collateral securities.					
Out of the above Rs. 170 Millions in 2004 relating to Rithwik Energy Systems Limited (RESL) was secured by first charge on the fixed assets of RESL, by pledge of shares in RESL held by LITL, by corporate guarantee of LITL and by personal guarantees of certain directors of the company.					
Out of the above Rs. 450 Millions in 2006 relating to Lanco Mantri Technology Park Private Limited was secured against the Project assets of the company.)					
Vehicle Loans	2.49	-	19.03	41.23	52.94
(Secured by Hypothecation of vehicles to the banks/ financial institution for the amounts borrowed.)					
Interest accrued and due	3.14	-	-	-	-
Cash Credit/ Overdraft from banks	49.82	74.20	42.30	75.44	43.71
(The facilities is secured by hypothecation of entire stocks/ work in progress/inventory and other current assets including entire receivables of the company both present and future on pari passu basis.)					
Total	**780.88**	**132.00**	**301.75**	**196.77**	**176.75**

(Rs. in Millions)

Schedule 4	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Unsecured Loans					
Short term					
From Banks	416.92	431.04	75.77	-	-
(Secured by personal guarantees of the directors of the company)					
From Others	-	-	-	-	99.96
Other than short term					
From Directors	-	-	-	3.87	0.28
From Others	200.00	200.00	200.00	2.39	5.66
Total	**616.92**	**631.04**	**275.77**	**6.26**	**105.90**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2001	Additions	Additions on Inclusion of Subsidiaries	Deletions	As at March 31, 2002	As at March 31, 2001	For the year	On account of inclusion in Subsidiaries	On deletions	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Buildings	25.11	3.90	-	-	29.01	9.76	3.65	-	-	13.41	15.60	15.35
Plant and Machinery	121.64	174.44	-	8.26	287.82	11.13	6.11	-	2.52	14.72	273.10	110.51
Office Equipment	13.93	2.04	0.02	0.03	15.96	2.35	1.38	-	-	3.73	12.23	11.60
Furniture and Fittings	13.51	1.59	0.05	-	15.15	2.56	1.28	-	-	3.84	11.31	11.00
Vehicles	45.15	0.28	-	3.06	42.37	13.73	4.76	-	1.57	16.92	25.45	31.42
Total	**219.34**	**182.25**	**0.07**	**11.35**	**390.31**	**39.53**	**17.18**	**-**	**4.09**	**52.62**	**337.69**	**179.88**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 (Contd…)

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2002	Additions	Additions\ (Deletions) on Inclusion of Subsidiaries	Deletions	As at March 31, 2003	As at March 31, 2002	For the year	On account of inclusion in Subsidiaries	On deletions	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
Buildings	29.01	2.51	-	-	31.52	13.41	0.55	-	-	13.96	17.56	15.60
Plant and Machinery	287.82	1.02	-	5.46	283.38	14.72	16.33	-	0.77	30.28	253.10	273.10
Office Equipment	15.96	2.26	(0.02)	0.15	18.05	3.73	0.74	-	0.01	4.46	13.59	12.23
Furniture and Fittings	15.15	0.98	(0.05)	0.10	15.98	3.84	1.39	-	0.02	5.21	10.77	11.31
Vehicles	42.37	5.43	-	1.53	46.27	16.92	4.87	-	0.66	21.13	25.14	25.45
Total	**390.31**	**12.20**	**(0.07)**	**7.24**	**395.20**	**52.62**	**23.88**	**-**	**1.46**	**75.04**	**320.16**	**337.69**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 (Contd…)

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2003	Additions	Additions on Inclusion of Subsidiaries	Deletions	As at March 31, 2004	As at March 31, 2003	For the year	On account of inclusion in Subsidiaries	On deletions	As at March 31, 2004	As at March 31, 2004	As at March 31, 2003
Land		-	8.45	-	8.45		-	-	-	-	8.45	
Buildings	31.52	-	26.44	-	57.96	13.96	1.03	1.16	-	16.15	41.81	17.56
Plant and Machinery	283.38	0.02	233.55	35.00	481.95	30.28	33.42	11.29	6.03	68.96	412.99	253.10
Office Equipment	18.05	0.12	0.58	2.31	16.44	4.46	1.33	0.07	1.58	4.28	12.16	13.59
Furniture and Fittings	15.98	0.05	0.29	0.44	15.88	5.21	1.40	0.03	0.17	6.47	9.41	10.77
Vehicles	46.27	-	0.59	10.98	35.88	21.13	3.55	0.05	6.48	18.25	17.63	25.14
Total	**395.20**	**0.19**	**269.90**	**48.73**	**616.56**	**75.04**	**40.73**	**12.60**	**14.26**	**114.11**	**502.45**	**320.16**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 (Contd…)

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2004	Additions	Additions\ (Deletions) on Inclusion of Subsidiaries	Deletions	As at March 31, 2005	As at March 31, 2004	For the year	On account of inclusion in Subsidiaries	On deletions	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Goodwill (Refer Note below)	-	0.56	-	-	0.56					-	0.56	-
Land	8.45	-	(8.45)	-	-	-	-	-	-	-	-	8.45
Buildings	57.96	0.13	(26.44)	7.14	24.51	16.15	1.20	(2.66)	6.96	7.73	16.78	41.81
Plant and Machinery	481.95	0.06	(233.55)	100.14	148.32	68.96	35.49	(45.94)	12.69	45.82	102.50	412.99
Office Equipment	16.44	0.31	0.14	13.56	3.33	4.28	0.45	(0.17)	2.75	1.81	1.52	12.16
Furniture and Fittings	15.88	0.03	(0.14)	2.23	13.54	6.47	1.31	(0.10)	0.44	7.24	6.30	9.41
Vehicles	35.88	-	0.22	28.05	8.05	18.25	1.55	(0.13)	15.57	4.10	3.95	17.63
Total	**616.56**	**1.09**	**(268.22)**	**151.12**	**198.31**	**114.11**	**40.00**	**(49.00)**	**38.41**	**66.70**	**131.61**	**502.45**

Note

Goodwill represents the excess of consideration paid towards purchase of equity shares in Lanco Amarkantak Power Private Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 5 (Contd.)

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2005	Additions	Additions on Inclusion of Subsidiaries	Deletions	As at March 31, 2006	As at March 31, 2005	For the year	On account of inclusion in Subsidiaries	On deletions	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
Goodwill (Refer Notes Below)	0.56	9.67	-	0.56	9.67	-	-	-	-	-	9.67	0.56
Buildings	24.51	-	-	-	24.51	7.73	0.30	-	-	8.03	16.48	16.78
Plant and Machinery	148.32	0.80	1.29	0.11	150.30	45.82	15.89	-	0.02	61.69	88.61	102.50
Office Equipment	3.33	3.88	3.03	0.14	10.10	1.81	0.47	-	0.03	2.25	7.85	1.52
Furniture and Fittings	13.54	3.56	2.65	0.19	19.56	7.24	1.27	-	0.05	8.46	11.10	6.30
Vehicles	8.05	4.58	7.89	-	20.52	4.10	0.98	-	-	5.08	15.44	3.95
Total	**198.31**	**22.49**	**14.86**	**1.00**	**234.66**	**66.70**	**18.91**	**-**	**0.10**	**85.51**	**149.15**	**131.61**

Notes:

1. *Goodwill represents the excess of consideration paid towards purchase of equity shares in Lanco Electric Utility Limited and Lanco Hydro Ventures Private Limited*
2. *The deletion in the goodwill is on account of the dilution in the shareholding of subsidiary.*

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET

(Rs. in Millions)

Schedule 6	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
EXPENDITURE DURING CONSTRUCTION PERIOD, PENDING ALLOCATION (NET)					
Salaries, allowances and benefits to employees	19.80	18.05	-	-	0.64
Staff Welfare Expenses	0.92	0.07	-	-	0.07
Rent	4.06	1.88	-	-	0.32
Repairs and Maintenance - Others	2.99	1.34	-	-	0.05
Rates and Taxes	6.21	4.14	-	-	0.80
Insurance	0.28	0.07	-	-	0.02
Consultancy and Professional Charges	24.35	19.88	-	-	0.54
Remuneration to Directors	6.85	0.61	-	-	0.37
Remuneration to Auditors	0.13	0.05	-	-	0.05
Travelling and Conveyance	5.76	20.05	-	-	0.76
Communication Expenses	0.83	2.04	-	-	0.29
Bank / other finance charges	51.03	0.10	-	-	0.28
Interest on Term Loans	6.33	8.07	-	-	-
Loss on sale of Assets	-	-	-	-	0.18
Miscellaneous Expenses	11.56	4.14	-	-	0.51
	141.10	**80.49**	-	-	**4.88**
Less: Other Income					
Interest Received (net of TDS)	0.07	1.91	-	-	0.09
Total	**141.03**	**78.58**	-	-	**4.79**

(Rs. in Millions)

Schedule 7	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
INVESTMENTS					
Long Term					
Other than Trade (Unquoted)					
In shares of subsidiary company					
Lanco Kalahasthi Castings Limited # (21,808,259 equity shares of Rs. 10 each, fully paid)	-	-	-	-	218.08
In shares of associate companies (At cost plus share of profits/losses based on equity accounting)					
Lanco Amarkantak Power Private Limited (37,565,100 Equity Shares of Rs.10 each fully paid)	375.65	-	-	-	-
Clarion Power Corporation Limited [6,915,140 (2005 & 2004 - 6,915,140 & 2003 - 6,914,200) equity shares of Rs. 10 each fully paid]	56.67	56.44	67.67	67.61	-
Rithwik Energy Systems Limited [4,117,770 (2005 - 4,117,770, 2003 - 1,740,000 and 2002 - 750,000) equity shares of Rs. 10 each fully paid]	54.73	54.52	-	17.42	7.50

(Rs. in Millions)

Schedule 7	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Aban Power Company Limited [15,471,309 (2005 - 15,471,309 and 2004 - 33,345,000) Equity shares of Rs. 10 each fully paid]	158.65	154.71	333.45	-	-
Lanco Kondapalli Power Private Limited [23,800,000 (2005, 2004, 2003 and 2002 - 23,800,000) Equity shares of Rs. 10 each fully paid]	322.23	280.80	282.32	259.36	293.08
Vamshi Hydro Energies Private Limited (8,000 Equity Shares of Rs. 10 each fully paid)	-	0.08	-	-	-
Vamshi Industrial Power Private Limited (21,000 Equity Shares of Rs. 10 each fully paid)	-	0.21	-	-	-
Lanco Electric Utility Limited (780,000 Equity Shares of Rs.10 each fully paid)	-	7.80	-	-	-
Lanco Kalahasthi Castings Limited # [Nil (2004 -10,865,159 and 2003 - 10,981,659) equity shares of Rs.10 each fully paid]	-	-	108.65	109.82	-
In Shares of Other Companies					
Ravindranath GE Medical Associates (P) Limited (300,000 equity shares of Rs. 10 each, fully paid)	3.00	3.00	3.00	3.00	-
Trishul Power Private Limited (750,000 equity shares of Rs. 10 each, fully paid)	-	7.50	-	-	-
Current					
Other than trade (Unquoted)					
Government Securities	-	-	0.02	-	-
LIC Mutual Fund - Liquid Fund - Dividend Plan * (1,750,768 units of Rs.10 per unit)	19.00	-	-	-	-
Other than trade (Quoted) **					
Lanco Industries Limited [751,791(2005 - 751,791, 2004 - 364,364, 2003 & 2002 - 354,764) Equity shares of Rs 10 each fully paid]	10.18	10.18	3.61	3.51	3.51
Lanco Global Systems Limited [1,090,435 (2005 & 2004 - 2,070,000, 2003 -1,820,000 and 2002 - Nil) Equity Shares of Rs. 10 each fully paid]	10.90	20.70	20.70	18.20	-
Andhra Bank [31,054 (2005 & 2004 - 8,500, 2003 & 2002 - 21,000) Equity Shares of Rs. 10 each fully paid]	2.11	0.09	0.09	0.21	0.21
Bank of Baroda (7,206 Equity Shares of Rs. 10 each fully paid)	1.66	-	-	-	-
Total	**1,014.78**	**596.03**	**819.51**	**479.13**	**522.38**

* *Aggregate Net Asset Value of Mutual Funds Rs.19.96 Millions (2005, 2004, 2003 and 2002 - Nil)*

** *Aggregate market value of long term equity shares - Rs. 90.85 Millions (2005 - Rs. 78.98 Millions, 2004 - Rs. 12.17 Millions, 2003 - Rs. 22.79 Millions & 2002 - Rs. 3.08 Millions)*

\# *Lanco Kalahasti Castings Limited has not been considered for consolidation as it was held for temporary purposes.*

(Rs. in Millions)

Schedule 8	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
INVENTORIES					
Stores and Spares	-	0.63	41.42	59.05	49.62
Construction /Development Work in Progress	164.12	86.13	159.07	69.64	79.54
Total	**164.12**	**86.76**	**200.49**	**128.69**	**129.16**

(Rs. in Millions)

Schedule 9	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SUNDRY DEBTORS					
Unsecured					
Considered good					
Outstanding for a period exceeding six months	66.07	68.44	75.19	46.77	35.63
Other debts*	314.45	111.15	15.74	99.77	123.38
	380.52	**179.59**	**90.93**	**146.54**	**159.01**
Considered doubtful					
Outstanding for a period exceeding six months	4.48	4.47	4.45	2.35	-
Less: Provision	4.48	4.47	4.45	2.35	-
	-	-	-	-	-
Total	**380.52**	**179.59**	**90.93**	**146.54**	**159.01**

**Includes unbilled revenue - Rs 3.69 millions - 2004 (2006, 2005, 2003 & 2002 - Nil).*

(Rs. in Millions)

Schedule 10	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
CASH AND BANK BALANCES					
Cash on Hand	0.51	0.22	0.31	1.33	0.65
Balances with Scheduled Banks					
On Current Accounts	178.56	280.35	32.63	81.63	64.37
On Deposit Accounts	190.26	44.21	-	-	0.58
On Margin Money Accounts*	44.24	34.33	97.44	92.53	122.50
Total	**413.57**	**359.11**	**130.38**	**175.49**	**188.10**

***** *The Margin money deposits are towards Letters of Credit and Bank Guarantees given by banks on behalf of the company*

(Rs. in Millions)

Schedule 11	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
OTHER CURRENT ASSETS (Unsecured and Considered good)					
Interest accrued but not due	1.67	2.47	5.52	19.41	17.05
Dividend Receivable	0.16	-	-	-	-
Total	**1.83**	**2.47**	**5.52**	**19.41**	**17.05**

(Rs. in Millions)

Schedule 12	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
LOANS AND ADVANCES **(Unsecured and considered good, unless otherwise stated)**					
(a) Loans to Employees	0.34	-	-	0.18	0.68
(b) Advance towards share application money	287.05	-	0.23		2.80
(c) Advances recoverable in cash or in kind or for value to be received	-	-	-		
(I) Considered Good					
To Sub contractors	274.67	250.41	25.84	38.06	148.33
To others	877.78	174.68	160.65	147.95	116.83
	1,152.45	425.09	186.49	186.01	265.16
(II) Considered Doubtful					
To others	1.23	1.23	1.23	1.05	0.74
Less: Provision	1.23	1.23	1.23	1.05	0.74
	-	-	-	-	-
(I) + (II)	1,152.45	425.09	186.49	186.01	265.16
(d) Deposits					
(I) Considered Good					
Government Authorities	2.34	3.57	6.40	10.82	7.55
Others	253.39	56.90	42.21	14.67	68.63
	255.73	60.47	48.61	25.49	76.18
(II) Considered Doubtful					
Others	3.81	3.81	1.97	1.97	-
Less: Provision	3.81	3.81	1.97	1.97	-
	-	-	-	-	-
(I) + (II)	255.73	60.47	48.61	25.49	76.18
Advance Tax (Net of Provision)	22.10	29.48	14.27	74.41	38.93
Total	**1,717.67**	**515.04**	**249.60**	**286.09**	**383.75**

(Rs. in Millions)

Schedule 13	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
CURRENT LIABILITIES AND PROVISIONS					
(a) Liabilities					
Sundry Creditors					
Due to Small Scale Industrial Undertakings	0.07	0.01	-	-	-
Due to other than Small Scale Industrial Undertakings	436.67	163.17	170.82	349.84	353.88
Other Liabilities	23.64	65.84	119.82	141.34	245.91
Advance from customers	851.46	78.61	321.45	169.56	147.72
Sub Total	**1,311.84**	**307.63**	**612.09**	**660.74**	**747.51**
(b) Provisions					
Provision for Employee Benefits	1.65	1.27	2.91	1.55	0.96
Sub Total	**1.65**	**1.27**	**2.91**	**1.55**	**0.96**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Millions)

Schedule 14	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
SALES AND OPERATIONAL INCOME					
Income from Contract Operations	1,116.76	1,694.07	1,150.96	1,745.62	1,617.44
Income from sale of electrical energy	24.03	145.14	141.60	-	-
Income from Traded goods exported	280.46	-	-	-	-
Trade Investments	34.08	-	-	-	-
Profit on sale of Investment	15.68	-	-	-	-
Total	**1,471.01**	**1,839.21**	**1,292.56**	**1,745.62**	**1,617.44**

(Rs. in Millions)

Schedule 15	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
OTHER INCOME					
Interest received (gross) on deposits and margin money (Tax deducted at source - Rs.1.53 Millions (2005 - 0.42 Millions, 2004 - 0.19 Millions, 2003 - 1.62 Millions, 2002 - 0.99 Millions)	9.25	2.67	6.05	2.97	10.49
Dividend Income	0.16	-	-	-	-
Export Benefits	-	4.88	-	4.97	-
Miscellaneous income	3.51	6.16	9.05	2.36	5.50
Total	**12.92**	**13.71**	**15.10**	**10.30**	**15.99**

(Rs. in Millions)

Schedule 16	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
GENERATION AND OPERATING EXPENSES	-				
Opening Contract Work in Progress	115.58	188.52	99.09	79.54	84.22
Add: Construction expenses	266.18	659.29	391.64	395.84	501.49
Less: Closing Work in Progress	150.91	115.58	188.52	99.09	79.54
	230.85	732.23	302.21	376.29	506.17
Cost of Traded goods exported	280.18	-	-	-	-
Raw materials	-	74.58	63.46	-	-
Wood chipping & cutting charges	-	1.52	2.13	-	-
Generation expenses	-	2.80	1.82	-	-
Consumption of stores and spares	-	3.11	-	-	-
Labour charges	1.00	32.21	0.61	0.23	0.58
Electricity charges & power	-	2.76	3.83	2.64	2.52
Equipment Hire Charges	-	0.44	4.22	3.05	5.80
Transport charges	-	1.87	11.93	13.05	11.08
Site Expenses	1.93	6.39	3.45	66.47	4.43
Repairs and maintenance:					
Plant & machinery	-	-	-	-	7.72
Building	-	4.54	-	-	-
Others	2.27	-	1.16	1.62	-
Total	**516.23**	**862.45**	**394.82**	**463.35**	**538.30**

(Rs. in Millions)

Schedule 17	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
ADMINISTRATION AND OTHER EXPENSES					
Salaries, allowances and benefits to employees	27.87	14.32	27.51	52.72	49.69
Contribution to provident fund and others	0.80	-	-	-	-
Staff welfare expenses	0.14	-	-	-	-
Rent	2.36	1.64	3.91	4.40	11.01
Repairs and maintenance:					
Others	0.34	-	-	-	-
Rates and taxes	4.30	0.43	0.66	1.16	0.59
Insurance	1.90	1.21	5.51	6.58	6.40
Consultancy and other professional charges	8.57	11.95	1.57	6.19	15.61
Directors' sitting fee	-	0.03	0.02	-	-
Directors' remuneration	2.85	0.60	1.10	1.60	1.64
Electricity charges	0.18	-	-	-	-
Remuneration to Auditors					
Audit Fees	0.60	0.20	0.03	0.15	0.20
Tax Audit Fees	-	0.03	0.03	0.03	-
Certification	-	0.03	-	0.05	-
Travelling and conveyance	5.39	1.92	4.19	20.75	14.72
Communication expenses	1.25	1.05	1.87	4.62	7.25
Sales Tax (net of recoveries)	0.27	7.04	7.88	16.81	10.52
Donations	0.22	1.00	0.83	-	-
Investments written off	-	-	3.46	-	-
Provisions for Doubtful debts/ advances / deposits / WIP	-	1.85	2.28	34.08	0.74
Hire Charges	-	1.57	2.33	-	-
Printing & Stationery	0.21	1.19	1.01	1.73	2.14
Office Maintenance	-	1.12	0.41	3.00	5.70
Business Promotion	0.26	0.43	0.43	1.03	-
Advertisement expenses	1.24	0.71	-	-	-
Miscellaneous Expenses	2.22	6.62	11.45	6.93	9.90
	60.97	54.94	76.48	161.83	136.11
Less: Transferred to Development cost	15.88	-	-	-	-
Total	**45.09**	**54.94**	**76.48**	**161.83**	**136.11**

(Rs. in Millions)

Schedule 18	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
INTEREST AND FINANCE CHARGES					
Interest on term loans	33.71	37.27	25.09	9.25	19.09
Interest - Others	-	-	17.92	-	6.53
Guarantee Commission	3.65	2.16	7.66	6.66	5.59
Bank and Other finance charges	6.24	21.07	27.85	11.23	4.79
	43.60	60.50	78.52	27.14	36.00
Less: Transferred to Development cost	7.32	-	-	-	-
Total	**36.28**	**60.50**	**78.52**	**27.14**	**36.00**

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

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 structure, institutional buildings and expressways. All the contracts are on competitive bid basis.

Property Development Business

Lanco Mantri Technology Park Private Limited (LMTPPL) 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 years are listed below:

Sl. No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
1	Lanco Electric Utility Limited (LEUL)	Subsidiary	50.93 %	48.06%	-	-	-
2	Lanco Hydro Power Ventures Private Limited (LHPVPL)	Subsidiary	86.85%	-	-	-	-
3	Lanco Mantri Technology Park Private Limited (LMTPPL)	Subsidiary	75.00%	-	-	-	-
4	Clarion Power Corporation Limited (CPCL)	Subsidiary	-	-	-	-	100.00%
5	Rithwik Energy Systems Limited (RESL) (Refer Note below)	Subsidiary	-	-	54.26%	-	-

Sl No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
6	Lanco Amarkantak Power Private Limited (LAPPL)	Subsidiary	-	63.40%	-	-	-
7	Vamshi Hydro Energies Private Limited (VHEPL)	Associate	-	37.04%	-	-	-
8	Vamshi Industrial Power Private Limited (VIPPL)	Associate	-	42.00%	-	-	-
9	LAPPL	Associate	48.01%	-	-	-	-
10	CPCL	Associate	46.57%	46.57%	49.04%	49.03%	-
11	RESL (Refer Note below)	Associate	45.69%	45.69%	-	24.86%	-
12	Aban Power Company Limited (APCL)	Associate	11.74%	11.74%	45.87%	-	-
13	Lanco Kondapalli Power Private Limited (LKPPL)	Associate	7%	7%	7%	7%	7%

Subsidiaries of LHPVPL

Sl . No.	Name of the Company	Relationship	Percentage of Ownership Interest				
			2006	2005	2004	2003	2002
1	Lanco Green Power Private Ltd (LGPPL)	Subsidiary	100%	-	-	-	-
2	VHEPL	Subsidiary	100%	-	-	-	-
3	VIPPL	Subsidiary	100%	-	-	-	-

Note:

During the year ended March 31, 2005, due to the issue of new shares by Rithwik Energy Systems Limited (RESL), LITL's ownership interest in the RESL reduced from 54.26% to 45.69%. Subsequent to March 16, 2005, LITL has accounted for its interest in RESL under the equity method of accounting.

3. The Significant Accounting Policies are as follows:

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. 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.

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 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/ 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.

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.

Inventories

In case of LITL, inventories after providing for obsolescence are valued as under:

a) Stores and Spares on a First In First Out basis.

b) Project and Construction related Work-in-progress at cost or lower.

In case of LMTPPL, inventories including Real Estate development are stated at cost or net realisable 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.

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.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged against revenue each year. Provision for Gratuity is made on the basis of an 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, 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.

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.

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 Financial Statements of the Company and its subsidiaries and associates:

(i) Contingent Liabilities

(Rs. in Millions)

	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
a)	Bank Guarantees outstanding	435.85	187.73	162.15	265.40	262.11
b)	Corporate Guarantees outstanding	6,388.20	7,348.42	8,941.90	11,023.55	10,449.60
c)	Bills discounted	-	-	30.00	-	-
d)	Disputed Sales Tax	1.37	1.37	-	-	-

(ii) Capital Commitments

(Rs. in Millions)

	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
a)	Estimated Value of Contracts remaining to be executed on capital account, not provided for (net of advances)	-	1,360.00	-	-	-

(iii) During the year 2005-06, as per the arbitration award received from the tribunal, a sum of Rs.18.71 Millions (Previous year - Rs. 15.42 Millions) is 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 is recoverable; no provision is required at this stage.

(iv) In the year 2006, 23,076,666 fully paid equity shares were allotted by the Company as fully paid up Bonus Shares by capitalization of Securities Premium and General Reserve Account.

(v) Sundry Debtors of LITL for the year 2005-06 included an amount of Rs. 231.89 millions due from a private company in which directors of the company are directors.

(vi) Advances recoverable from sub contractors of LITL for the year 2005-06 included an amount of Rs. 40.30 millions due from a firm in which directors of the company are partners.

(vii) Loans and Advances

a) Loans and advances include share application money given to group companies, pending allotment.

b) LMTPPL was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approx.) land. The total cost of the land is Rs 4,266.60 Millions out of which Rs.600.00 Millions has been paid. The same has been considered as advance, pending execution of development agreement, land demarcation, approach road and environmental clearances.

(viii) Operating Income of LITL includes income from dividends and profit on sale of investments, as main activity of LITL includes investments.

(ix) Others:

a) CPCL, LAPPL and LHPVPL are in construction stage. All expenditure incurred (net of income earned) during the construction stage are grouped and disclosed under ‘Expenditure during construction period, pending allocation (net)’.

b) LEUL has commenced commercial operations on January 21, 2006. Accordingly, the profit and loss account for this company has been drawn up from that date.

(x) Disclosure pursuant to Accounting Standard (AS) 7 (Revised)

(Rs. In Millions)

	Particulars	2006	2005	2004
1.	Amount of Contract revenue recognized as revenue in the period	1,160.37	1,646.82	1,150.26
2.	Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	1,281.82	1,789.83	1,338.78
3.	Amount of customer advances outstanding for contracts in progress as at 31 March,	1,436.75	3,23.63	321.45
4.	Retention amount due from customers for contracts in progress as at 31 March,	127.85	149.24	96.68

(xi) Operating Leases

The consolidated entities have entered into certain operating lease agreements. An amount of Rs. 2.36 millions (2005 – Rs. 1.64 millions, 2004 – Rs. 3.91 millions, 2003- Rs. 4.40 millions and 2002- Rs. 11.01 millions) paid under such agreements has been disclosed as ‘Rent’ under Administration and Other Expenses in the Consolidated Profit and Loss Account. These agreements are cancellable in nature.

(xii) Earnings per share (EPS)

Particulars	2006	2005	2004	2003	2002
Net Profit after tax and prior period adjustment – for Basic and Diluted EPS (Rs. in Millions)	170.67	92.46	70.73	95.80	107.00
Weighted average number of shares outstanding during the year for the purpose of calculation of EPS	92,306,664	92,306,664	92,306,664	92,306,664	92,306,664
Earning Per share - Basic & Diluted (Rs.)	1.85	1.00	0.77	1.04	1.16

Calculation of weighted average number of shares outstanding during the year

Particulars	March 31, 2006	March 31, 2005	March31, 2004	March 31, 2003	March 31, 2002
Nominal Value of Equity Shares –(Rs.)	10	10	10	10	10
Nominal Value of Equity Shares as on June 16, 2006 – (Rs.)	5	5	5	5	5
(A) Total number of equity shares outstanding at the beginning of the year – Rs. 10 per share paid up	7,692,222	7,692,222	7,692,222	7,692,222	7,692,222
(B) Bonus Equity shares issued on 24th March 2006 (*Refer Note 1 below)*	23,076,666	23,076,666	23,076,666	23,076,666	23,076,666
- - -	-				
(C) Bonus Equity shares Issued (*Refer note 2(a) below*)	15,384,444	15,384,444	15,384,444	15,384,444	15,384,444
(D) Split of Equity shares (*Refer note 2(b)b*)	46,153,332	46,153,332	46,153,332	46,153,332	46,153,332
(E) Weighted Average number of Equity shares outstanding during the year – Considered for Basic EPS and NAV [(A) + (B) + (C) + (D)]	92,306, 664	92,306, 664	92,306, 664	92,306, 664	92,306, 664

Note:

1. On March 24, 2006, the company has issued 23,076,666 bonus shares to the shareholders in the ratio of three shares for every one share held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2002, the earliest period reported.

2. Pursuant to para 44 of Accounting Standard (AS 20) Earnings Per Share, EPS has been computed after considering the following events occurred subsequent to the balance sheet date:

a) On April 24, 2006, the company has issued 15,384,444 bonus shares to the shareholders in the ratio of one share for every two shares held by them. Since the bonus issue is an issue without consideration, the Issue is treated as if it had occurred prior to the beginინig of the year 2002, the earliest period reported.

b) On June 7, 2006, the company has split the Equity shares from Rs. 10/- per share to Rs. 5/- per share, resulting in increase in the equity shares outstanding.

(xiii) Deferred Tax

Deferred tax liability/ (Asset) comprises mainly of the following as at March 31,

(Rs. in Millions)

Particulars	2006	2005	2004	2003
Deferred Tax Liability				
Depreciation	30.65	37.72	67.33	82.59
Deferred Tax Asset				
Gratuity	-	-	-	(0.55)
Unabsorbed losses	-	-	-	(12.25)
Deferred Tax Liability (Net)	**30.65**	**37.72**	**67.33**	**69.78**

(xiv) Amalgamation

Pursuant to the Scheme of Amalgamation ('the Scheme') sanctioned by the order dated October 8, 2002 of Honorable High Court of Andhra Pradesh and the order dated September 20, 2002 of the Honorable High Court of Madras, Encon Service Limited ('ESL'- Whose core business is civil constructions) has been amalgamated with the Company (LITL) with effect from April 1, 2001.

The assets and liabilities, rights and obligations of ESL have been vested in the Company with effect from April 1, 2001 and have been recorded in the books of account of the Company at their respective fair values under the purchase method of accounting for amalgamation as per the Scheme approved by the Honorable High Court of Andhra Pradesh. The excess of fair value of net assets of ESL over the purchase consideration paid has been taken to Capital Reserve.

(xv) 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.

Sl. No.	Segment	Name of the Company
1	Construction	1. Lanco Infratech Limited.
2	Power	1. Rithwik Energy Systems Limited (for 2003-04 and 2004-05)
		2. Clarion Power Corporation Limited (for 2001-02)
		3. Lanco Amarkantak Power Private Limited (for 2004-05)
		4. Lanco Electric Utility Limited (for 2005-06)
		5. Lanco Hydro Power Ventures Private Limited (for 2005-06)
3	Property Development	1. Lanco Mantri Technology Park Private Limited.
4	Others	1. Lanco Infratech Limited.

- The details of segment information for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 are given below:

SEGMENT REPORTING

(Rs. in Millions)

Business Segments	Construction		Power		Project Development		Others		Unallocable		Intercompany		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue														
Revenue from Customers	1,092.72	1,667.28	24.03	171.94	-	-	354.26	-	-	-	-	-	1,471.01	1,839.22
Inter Segment Revenue	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenues	1,092.72	1,667.28	24.03	171.94	-	-	354.26	-	-	-	-	-	1,471.01	1,839.22
Operating Expenses	976.57	1,536.42	1.72	86.40	-	-	280.18	-	-	-	-	-	1,258.47	1,622.82
Depreciation	3.05	6.07	15.86	33.92	-	-	-	-	-	-	-	-	18.91	39.99
Segmental Operating Profit/(Loss)	113.10	124.79	6.45	51.62	-	-	74.08	-	-	-	-	-	193.63	176.41
Interest Income/(expense), net	(27.00)	(33.50)	(5.68)	(24.30)	(0.02)	-	-	-	-	-	-	-	(32.70)	(57.80)
Other income/(expense), net	(38.35)	(83.63)	1.36	(12.83)	(1.31)	-	-	4.55	2.34	(0.08)	-	-	(35.96)	(91.99)
Profit/(Loss) before tax	47.75	7.66	2.13	14.49	(1.33)	-	74.08	4.55	2.34	(0.08)	-	-	124.97	26.62
Taxation -														
Current tax	-	-	-	-	-	-	-	-	-	-	-	-	40.00	23.51
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	(6.82)	(29.61)
Fringe Benefit tax	-	-	-	-	-	-	-	-	-	-	-	-	0.28	-
Net Profit/(Loss) after taxation													91.51	32.72
Other Information														
Segment Assets	1,901.18	908.68	1,328.75	696.62	721.62	-	1,336.92	677.55	-	-	(1,187.16)	(326.79)	4,101.31	1,956.06
Capital Expenditure	1.28	-	16.89	7.73	2.48	-	-	-	-	-	-	-	20.65	7.73
Depreciation / Amortisation	23.67	20.71	16.87	34.00	0.18	-	-	-	-	-	-	-	40.72	54.71
Segment Liabilities	2,348.43	806.84	696.64	462.20	722.95	-	55.76	70.58	168.45	81.38	(845.20)	(245.83)	3,147.03	1,175.17

SEGMENT REPORTING (Contd..)

(Rs. in Millions)

Business Segments	Construction			Power			Others			Unallocable			Intercompany			Total		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Revenue																		
Revenue from Customers	1,134.51	1,731.12	1,562.57	158.05	14.50	-	-	-	54.87	-	-	-	-	-	-	1,292.56	1,745.62	1,617.44
Inter Segment Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	1,134.51	1,731.12	1,562.57	158.05	14.50	-	-	-	54.87	-	-	-	-	-	-	1,292.56	1,745.62	1,617.44
Operating Expenses	975.15	1,466.58	1,323.54	70.93	2.00	-	-	-	-	-	-	-	-	-	-	1,046.08	1,468.58	1,323.54
Depreciation	7.26	8.67	17.18	33.47	15.20	-	-	-	-	-	-	-	-	-	-	40.73	23.87	17.18
Segmental Operating Profit/(Loss)	152.10	255.87	221.85	53.64	(2.70)	-	-	-	54.87	-	-	-	-	-	-	205.75	253.17	276.72
Interest Income/(expense), net	(43.01)	(13.19)	(25.51)	(35.53)	(10.98)	-	-	-	-	-	-	-	-	-	-	(78.54)	(24.17)	(25.51)
Other income/(expense), net	(60.82)	(154.28)	(131.81)	(15.16)	-	-	-	-	-	1.37	-	-	-	-	-	(74.61)	(154.28)	(131.81)
Profit/(Loss) before tax	48.27	88.40	64.53	2.95	(13.68)	-	-	-	54.87	1.37	-	-	-	-	-	52.60	74.72	119.40
Taxation -													-	-	-			
Current tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20.46	14.70	12.40
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.45)	13.82	-
Fringe Benefit tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) after taxation													-	-	-	34.59	46.20	107.00
Other Information													-	-	-			
Segment Assets	784.15	1,076.39	1,168.89	397.07	-	53.07	879.11	512.82	524.52	(60.81)	(33.69)	(4.54)	38.38	23.01	50.50	2,037.90	1,578.53	1,792.44
Capital Expenditure	0.19	12.20	182.25	270.53	-	4.85	-	-	-	-	-	-	-	-	-	270.72	12.20	187.10
Depreciation / Amortisation	7.26	8.67	17.18	33.48	-	-	-	-	-	-	-	-	-	-	-	40.74	8.67	17.18
Segment Liabilities	970.92	862.58	1,028.30	246.92	-	49.60	22.77	-	-	(50.83)	-	(1.39)	(86.70)	-	(1.33)	1,103.08	862.58	1,075.18

Related Party Transactions

b) Names of the related parties and description of relationship

Year Ended March 31, 2006

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Prince Stone Investments Limited
2	Enterprise where significant influence exists/ Enterprises which are Associates of the reporting enterprise	Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Amarkantak Power Private Limited, Lanco Energy Private Limited, Lanco Property Management Private Limited, Lanco Group Limited, S.V. Contractors, Pearl Farms Pvt. Ltd., Ruby Agro Farms Pvt. Ltd., Coral Agro Estates Pvt. Ltd. Garnet Agro Estates Pvt. Ltd., LCL Foundation- ESOP Trust
3	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. L. Rajagopal (Brother) Mr. L. Sridhar (Brother) Ms. L. Padma (Sister-in-law) Mr. L. Venkata Rama Naidu (Father) Ms. L. Ramalakshmamma (Mother) Mr. G. Bhaskara Rao, Vice Chairman Ms. G. Padmavathi, (Wife of Vice Chairman) Mr. S. C. Duggal, Whole Time Director Mr. D.N. Reddy, Whole Time Director Mr. T.V. Krishna, Whole Time Director

Year Ended March 31, 2005

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Prince Stone Investments Limited
2	Enterprise where significant influence exists/ Enterprises which are Associates of the reporting enterprise	Rithwik Energy Systems Limited, Clarion Power Corporation Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Group Ltd., Lanco Electric Utility Limited, Vamshi Hydro Energies Private Limited, Vamshi Industrial Power Limited, S.V. Contractors, Pearl Farms Pvt. Limited, Ruby Agro Farms Private Limited, Coral Agro Estates Private Limited, Garnet Agro Estates Private Limited, LCL Foundation- ESOP Trust

Sl. No.	Relationship	Name of the Parties
3	Enterprise having Significant influence on Subsidiary Company	Island Power Ventures Private Limited
4	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao, Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.C. Duggal, Whole time Director Mr. T.V. Krishna, Whole time Director Mr. L. Rajagopal (Relative to Chairman)

Year Ended March 31, 2004

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Enterprise where significant influence exists/ Enterprises which are Associates of the reporting enterprise	Clarion Power Corporation Limited, Rithwik Energy Systems Limited, Aban Power Company Limited, Lanco Kondapalli Power Private Limited, Lanco Group Limited, S.V. Contractors, LCL Foundation- ESOP Trust
3	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao, Vice Chairman Mr. L. Sridhar, Vice chairman Mr. S.C. Duggal, Whole time Director Mr. R.S. Srinivas

Year Ended March 31, 2003

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Enterprise where significant influence exists/ Enterprises which are Associates/ Joint Venture of the reporting enterprise	Clarion Power Corporation Limited, Rithwik Energy Systems Limited, Lanco Kondapalli Power Private Limited, S.V. Contractors, LCL Foundation- ESOP Trust
3	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao,Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.C. Duggal, Whole time Director

Year Ended March 31, 2002

Sl. No.	Relationship	Name of the Parties
1	Holding Company	Third Millenium Investments Limited
2	Enterprise where significant influence exists/ Enterprises which are Associates	S.V. Contractors
3	Key Management Personnel and their Relatives	Mr. L. Madhusudhan Rao, Chairman Mr. G. Bhaskara Rao,Vice Chairman Mr. L. Sridhar, Vice Chairman Mr. S.M. Roy Mr. D.V. Rao

(a) Details of transactions

(Rs. in Millions)

Nature of Transaction	Holding Company		Enterprises having significant influence on subsidiary company		Enterprise where significant influence exists		Key Managerial Personnel	
	2006	2005	2006	2005	2006	2005	2006	2005
Dividend received	-	-	-	-	33.32	76.91	-	
Rent received	-	-	-	-	1.04	0.62	-	
Civil contract services rendered	-	-	-	-	300.18	-	-	
Contract service/ shared Service fees	-	-	-	-	25.60	38.40	-	
Amounts received for services rendered	-	-				0.13		
Interest on loan taken	-	-				11.06		
Directors' remuneration	-	-	-	-	-	-	5.60	3.10
Purchase of equity shares	-	-	-	-	304.20	20.65	0.05	-
Sale of equity shares	-	-	-	-	-	-	-	119.81
Issue of bonus shares	186.25	-	-	-	6.00	-	38.52	-
Share application money paid	-	-	-	-	124.58	56.61	-	-
Share application money received	-	-	-	21.85	-	-	-	-
Refund of share application money received	-	-	-	-	14.50	15.80	-	-
Balance payable at the year end/ [recoverable at the year end]	-	-	-	-	32.35	170.56	0.05	0.09

(b) Details of transactions continued…

(Rs. in Millions)

Nature of Transaction	Holding Company			Enterprise where significant influence exists			Key Managerial Personnel		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Dividend received	-	-	-	19.04	83.30	-	-	-	-
Rent received	-	-	-	0.62	-	-	-	-	-
Advance given for Service/Shared Service fees				37.57	-	4.39			
Civil Contract Services rendered	-	-	-	106.18	29.71	-	-	-	-
Contract Service/ Shared Service fees	-	-	-	53.78	-	0.24	-	-	-
Refund of Advance Given				51.54	1.34				
Loan Taken				200.00	-			5.5	7.07
Loan Repaid	-			-	-		3.67	2.52	11.49
Interest on Loan Taken				8.56	-				
Directors' Remuneration	-	-	-	-	-	-	2.86	1.60	2.05
Purchase of Equity Shares	-	-	-	64.88	75.37	-	-	-	-
Sale of Equity Shares	-	-	-	-	-	-	-	-	-
Issue of Bonus Shares	-	-	-	-	-	-	-	-	-
Refund of Share application money	-	0.86	-	-	-	-	-	-	-
Balance Payable at the year end/ [Recoverable at the year end]	-	-	0.86	146.50	[33.96]	[36.66]	0.03	3.67	0.13

Auditors Report for Consolidated Statements

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

Dear Sirs,

1. We have audited the attached 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 June 30, 2006 and June 30, 2005, the Consolidated Profit and Loss Account for the quarters ended on those dates, annexed hereto and the Consolidated Cash Flow statement for the quarters ended on those dates annexed hereto, 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.6,747.42 millions as at June 30, 2006 and Rs. 785.79 millions as at June 30, 2005 and total revenues of Rs.470.15 millions as at June 30, 2006. Further we did not audit the financial statements of associates whose financial statements reflect the consolidated entities' share of losses of Rs.0.63 million and Rs.0.78 million as at June 30, 2006 and June 30, 2005 respectively. 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 and associates, is based solely on the report of the other auditors.

4. We report that 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.

5. 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, 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 June 30, 2006 and June 30, 2005.

    (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 quarters ended on June 30, 2006 and June 30, 2005.

    (c) in the case of the Consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the quarters ended June 30, 2006 and June 30, 2005.

6. This report is solely for your information and for inclusion in the offer document being issued by the Company in connection with the Initial Public Offer of equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

P. Ramakrishna
Partner
Membership Number 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : September 9, 2006

CONSOLIDATED BALANCE SHEET AS AT JUNE 30,

(Rs. in Millions)

	Schedule Reference	2006	2005
I. Sources of Funds			
1. Shareholders' Funds			
(a) Capital	1	567.78	76.92
(b) Reserves and Surplus	2	2,433.14	735.64
		3,000.92	**812.56**
2. Minority Interest		781.29	40.74
3. Loan Funds			
(a) Secured Loans	3	8,456.51	590.33
(b) Unsecured Loans	4	350.00	250.68
4. Deferred Tax Liabilities (net) (Refer Note 4 (xviii) on schedule 19)		29.09	34.27
TOTAL		**12,617.81**	**1,728.58**
II. Application of Funds			
1. Fixed Assets			
(a) Gross Block	5	5,433.34	204.39
(b) Less: Depreciation		530.88	71.35
(c) Net Block		**4,902.46**	**133.04**
(d) Capital Work in Progress (including capital advances)		3,298.98	8.04
(e) Expenses during construction period, pending allocation (net)	6	766.75	99.74
		8,968.19	**240.82**
2. Investments	7	1,653.77	592.30
3. Current Assets, Loans and Advances			
(a) Inventories	8	569.02	76.85
(b) Sundry Debtors	9	621.29	135.33
(c) Cash and Bank Balances	10	886.22	371.74
(d) Other Current Assets	11	11.43	2.31
(e) Loans and Advances	12	2,863.48	1,196.35
		4,951.44	**1,782.58**
Less: Current Liabilities and Provisions:			
(a) Liabilities	13	2,731.60	833.46
(b) Share application money - pending allotment		181.21	52.39
(c) Provisions		42.78	1.27
		2,955.59	**887.12**
Net Current Assets		**1,995.85**	**895.46**
TOTAL		**12,617.81**	**1,728.58**
Significant Accounting Policies and Notes to the Consolidated Accounts	19		

The Schedules referred to above form 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 of Directors

P. Rama Krishna
Partner

Vice Chairman **Managing Director**

For and on behalf of
Price Waterhouse
Chartered Accountants

C. Krishna Kumar
Company Secretary

Hyderabad
September 9, 2006

Hyderabad
September 9, 2006

LANCO INFRATECH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTERS ENDED JUNE 30,

(Rs. in Millions)

	Schedule Reference	2006	2005
I. INCOME			
Sales and Operating Income	14	1,101.68	195.56
Other Income	15	7.90	5.44
Total		**1,109.58**	**201.00**
II. EXPENDITURE			
Subcontract Cost and Other Construction Cost		327.29	118.77
Construction, Generation and Operating Expenses	16	512.02	43.62
Administration and Other Expenses	17	43.51	11.63
Interest and Finance Charges	18	56.65	7.56
Loss on sale of assets (Net)		0.35	0.15
Depreciation		29.12	4.63
Total		**968.94**	**186.36**
III. Profit Before Taxation and before Minority Interest/ Share of profits of Associates		**140.64**	**14.64**
Provision for Taxation			
- Current		48.74	6.80
- Fringe Benefit		0.22	0.07
- Deferred		(1.60)	(3.45)
IV. Net Profit After Taxation and before Minority Interest and Share of profits of Associates		**93.28**	**11.22**
Minority Interest		0.87	-
Share of Profits of Associates (net)		38.19	17.73
V. Net Profit After Taxation, Minority Interest and Share of profits of Associates		**130.60**	**28.95**
Surplus brought forward		551.90	381.23
VI. Balance carried to Balance Sheet		**682.50**	**410.18**
Earnings Per Share (Rs.): Basic and Diluted (Equity Share of Rs. 10/- each fully paid) (Refer Note 4 (xvi) on schedule 19)		0.78	0.20
Significant Accounting Policies and Notes to the Consolidated Accounts	19		

The Schedules referred to above form 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 of Directors

P. Rama Krishna
Partner

Vice Chairman **Managing Director**

For and on behalf of
Price Waterhouse
Chartered Accountants

C. Krishna Kumar
Company Secretary
Hyderabad
September 9 , 2006

Hyderabad
September 9, 2006

LANCO
INSPIRING GROWTH

CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30,

(Rs. in Millions)

	2006	2005
A. CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES		
Profit before taxation	140.64	14.64
Adjustments for :		
Depreciation	29.12	4.63
Loss from sale of Fixed Assets (net)	0.35	0.15
(Profit) / Loss from sale of Investments (net)	(58.78)	4.32
Interest Income	(5.75)	(3.94)
Interest Expenses	66.01	4.86
Cash generated from Operations before Working Capital Changes	**171.59**	**24.66**
Adjustments for :		
Inventories	(404.90)	9.91
Trade and other receivables / other assets	(1,375.63)	(647.00)
Current Liabilities and Provisions	1,359.25	556.37
Cash generated from operations	(249.69)	(56.06)
Direct Taxes Paid	(59.91)	3.08
Net Cash used in Operating Activities	**(309.60)**	**(52.98)**
B. CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets (net)	(8,588.83)	(28.55)
(Purchase) / Sale of Investments (net)	(542.02)	17.14
Interest received	(3.85)	4.10
Net Cash used in Investing Activities	**(9,134.70)**	**(7.31)**
C. CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		
Proceeds from issue of equity shares	1,916.04	-
Issue of common stock in consolidated subsidiaries	642.62	(0.19)
Proceeds from Borrowings (Net)	7,408.71	77.29
Interest paid	(50.42)	(4.18)
Net Cash from Financing Activities	**9,916.95**	**72.92**
Net Increase in Cash and Cash Equivalents	**472.65**	**12.63**
Cash and Cash Equivalents as at April 1,	**413.57**	**359.11**
Cash and Cash Equivalents as at June 30,	**886.22**	**371.74**

Notes:

1. *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.*
2. *Cash and Cash Equivalents include margin money deposits amounting to Rs. 30.93 Millions (2005 - Rs. 102.57 Millions).*

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For and on behalf of the Board of Directors

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
September 9, 2006

Vice Chairman **Managing Director**

C. Krishna Kumar
Company Secretary
Hyderabad
September 9 , 2006

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30,

(Rs. in Millions)

Schedule 1	2006	2005
SHARE CAPITAL		
Authorised		
150,000,000 (Previous period 10,550,000 of Rs. 10/- each) Equity Shares of Rs. 5/- each	750.00	105.50
Issued, Subscribed and Paid Up		
118,593,016 (Previous period 7,692,222 of Rs.10/- each) Equity Shares of Rs.5/- each fully paid up	592.97	76.92
Less: Amount recoverable from LCL-Foundation ESOP Trust	(25.19)	-
Total	**567.78**	**76.92**

Schedule 2	2006	2005
RESERVES AND SURPLUS		
Securities Premium Account		
As at the commencement of the year	35.24	266.01
Add: Received during the period	1,808.31	-
Add: Added during the period on account of Employee Stock Option Plan (ESOP)	555.90	-
Less: Transferred to Share capital on account of Issue of Bonus shares	153.84	-
Less: ESOP suspense account	554.42	-
	1,691.19	**266.01**
General Reserve	16.55	16.55
Capital Reserve	42.90	42.90
Profit & Loss Account	682.50	410.18
Total	**2,433.14**	**735.64**

Schedule 3	2006	2005
SECURED LOANS		
Term Loans		
Rupee loans		
From financial institutions	268.75	-
[Out of the above Rs.176.25 Millions (2005 - Rs.Nil) relating to Clarion Power Corporation Limited (CPCL) is secured against *pari passu* first charge on the fixed assets of the CPCL, by pledge of 100% shares of CPCL, by corporate guarantee of Lanco Infratech Limited (LITL) and by personal guarantees of certain directors of the company.]		
[Out of the above Rs. 92.50 Million (2005 - Rs. Nil) relating to Aban Power Company Limited (APCL) is secured against first *pari passu* mortgage and charge on the immovable and movable properties, both present and future and by personal guarantees of certain directors of the company.]		
From Banks	6,822.30	574.89
[Out of the above Rs. 573.97 Millions (2005 - Rs. 55.31 Millions) relating to LITL is secured against charge on fixed assets and hypothecation of plant and machinery and current assets of the company and further secured by personal guarantee given by certain directors of the company and collateral securities on pari passu basis.]		
[Out of the above Rs. 1,979.90 Millions (2005 – 519.58 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]		

Schedule 3	2006	2005
[Out of the above Rs. 1,813.05 Millions (2005-Nil) relating to APCL is secured against first *pari passu* charge of 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. 1,730.00 Millions (2005 – Nil) 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 50 acre land situated at Manikonda, Hyderabad]		
[Out of the above Rs. 115.21 Millions (2005-Nil) 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. 70.50 Millions (2005-Nil) 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.311.81 Millions (2005-Nil) relating to LGPPL is secured by way of first *pari passu* charge 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.227.86 Millions (2005 – Nil) relating to LHPVL is secured by way of first *pari passu* charge 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]		
From Others	0.32	-
Foreign Currency loans		
From Financial Institutions	822.95	-
From Banks	85.25	-
[The above foreign currency loans from Financial Institutions and Banks relates to Aban Power Company Limited (APCL) and is secured against first *pari passu* mortgage and charge on the immovable and movable properties, both present and future and by personal guarantees of certain directors of the company.]		
Vehicle Loans	6.78	-
(Secured by Hypothecation of vehicles to the banks/financial institution for the amounts borrowed.)		
Interest accrued and due	11.39	-
Cash Credit/ Overdraft from banks	438.77	15.44
(The facilities is secured by hypothecation of entire stocks/work in progress/ inventory and other current assets including entire receivables of the company both present and future on pari passu basis.)		
Total	**8,456.51**	**590.33**

Schedule 4	2006	2005
UNSECURED LOANS		
Short term		
From Banks	150.00	50.00
(Secured by personal guarantee of the directors of the company)		
From Others	200.00	-
Other than short term		
From Others	-	200.00
Interest Accrued and Due	-	0.68
Total	**350.00**	**250.68**

Schedule 5

FIXED ASSETS

(Rs. in Millions)

Description	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at March 31, 2006	Additions	Additions on Inclusion of Subsidiaries	Deletions	As at June 30, 2006	As at March 31, 2006	For the year	On account of inclusion in Subsidiaries	On deletions	As at June 30, 2006	As at June 30, 2006	As at March 31, 2006
Goodwill (Note 1 Below)	9.67	183.85	-	-	193.52	-	-	-	-	-	193.52	9.67
Leasehold Land	-	-	106.55	-	106.55	-	-	-	-	-	106.55	-
Freehold Land	-	-	38.97	-	38.97	-	-	-	-	-	38.97	-
Buildings	24.51	-	523.61	-	548.12	8.03	1.19	18.28	-	27.50	520.62	16.48
Plant and Machinery	150.30	4.24	4,298.81	-	4,453.35	61.69	26.82	393.76	-	482.27	3,971.08	88.61
Office Equipment	10.10	1.35	14.46	0.20	25.71	2.25	0.39	1.72	0.04	4.32	21.39	7.85
Furniture and Fittings	19.56	0.12	8.90	-	28.58	8.46	0.48	1.24	-	10.18	18.40	11.10
Vehicles	20.52	4.46	14.35	0.79	38.54	5.08	0.51	1.56	0.54	6.61	31.93	15.44
TOTAL	**234.66**	**194.02**	**5,005.65**	**0.99**	**5,433.34**	**85.51**	**29.39**	**416.56**	**0.58**	**530.88**	**4,902.46**	**149.15**
Previous Period (Note 2 Below)	**198.31**	**6.39**	**-**	**0.31**	**204.39**	**66.70**	**4.72**	**-**	**0.07**	**71.35**	**133.04**	**-**

Notes:

1. *Goodwill represents the excess of consideration paid towards purchase of equity shares in the Subsidiary Companies.*
2. *Net Block as on June 30, 2005 includes Goodwill of Rs.1.56 Millions.*

Schedule 6	2006	2005
EXPENDITURE DURING CONSTRUCTION PERIOD, PENDING ALLOCATION (NET)		
Salaries, allowances and benefits to employees	70.72	20.78
Staff Welfare Expenses	1.99	0.11
Rent	7.90	2.12
Repairs and Maintenance - Others	6.06	1.36
Rates and Taxes	39.23	4.15
Insurance	12.49	0.20
Consultancy and Professional Charges	86.48	25.68
Remuneration to Directors	8.85	0.61
Remuneration to Auditors	0.31	0.05
Travelling and Conveyance	39.47	20.99
Communication Expenses	5.07	2.15
Bank / other finance charges	328.61	0.11
Interest on Term Loans	127.89	17.45
Depreciation	1.03	0.28
Fringe Benefit Tax	0.13	0.13
Miscellaneous Expenses	36.99	6.32
	773.22	**102.49**
Less: Other Income		
Dividend from Mutual Funds	4.90	-
Interest Received (net of TDS)	1.57	2.75
(Tax deducted at source - Rs.0.03 Million (2005 - Rs. 0.05 Million)		
Total	**766.75**	**99.74**

Schedule 7	2006	2005
INVESTMENTS		
Long Term		
Other than Trade (Unquoted)		
In Shares of Associate Companies (At cost plus share of profits/losses based on equity accounting)		
Clarion Power Corporation Limited (2005 - 6,915,140 Equity shares of Rs. 10 each fully paid)	-	55.12
Rithwik Energy Systems Limited (2005 - 4,117,770 Equity shares of Rs. 10 each fully paid)	-	55.06
Aban Power Company Limited (2005 - 15,471,309 Equity shares of Rs. 10 each fully paid)	-	154.71
Lanco Kondapalli Power Private Limited [115,260,000 (2005 - 23,800,000) Equity Shares of Rs. 10 each fully paid]	1,456.47	282.65
Vamshi Hydro Energies Private Limited (2005 - 8,000 Equity Shares of Rs. 10 each fully paid)	-	0.08
Vamshi Industrial Power Private Limited (2005 - 21,000 Equity Shares of Rs. 10 each fully paid)	-	0.21
Lanco Electric Utility Limited (2005 - 780,000 Equity Shares of Rs.10 each fully paid)	-	7.80
Genting Lanco Power India Private Limited [486,702 (2005 -Nil) Equity Shares of Rs.10 each fully paid]	21.35	-

Schedule 7	2006	2005
In Shares of Other Companies		
Ravindranath GE Medical Associates (P) Limited (2005 - 300,000 equity shares of Rs .10 each fully paid)	-	3.00
Trishul Power Private Limited (2005 - 750,000 equity shares of Rs 10 each fully paid)	-	7.50
Current		
Other than trade (Unquoted)		
Government Securities	0.02	-
In Mutual Funds (at cost) *		
LIC Mutual Fund Dividend Reinvestment Plan [12,011,470 (2005 - Nil) Units of Rs. 10 per unit]	132.98	-
Canbank Mutual funds Dividend Reinvestment Plan [121,244 (2005 - Nil) Units of Rs. 10 per unit]	1.22	-
DSPML LP Mutual funds [1,273,581 (2005 - Nil) Units of Rs. 10 per unit]	12.79	-
** Aggregate Net Asset Value of Mutual Funds - Rs.146.99 Millions (2005 - Nil)*		

Schedule 7	2006	2005
Other than trade (Quoted) **		
Lanco Industries Limited (2005 - 751,791 Equity shares of Rs 10 each fully paid)	-	10.18
Lanco Global Systems Limited [1,090,435 (2005 - 2,070,000) Equity Shares of Rs. 10 each fully paid]	25.17	15.90
Andhra Bank [31,054 (2005 - 8,500) Equity Shares of Rs. 10 each fully paid]	2.11	0.09
Bank of Baroda [7,206 (2005 - Nil) Equity Shares of Rs. 10 each fully paid]	1.66	-
** *Aggregate market value of long term equity shares - Rs. 89.66 Millions (2005 - Rs. 94.72 Millions)*		
Total	**1,653.77**	**592.30**

Schedule 8	2006	2005
INVENTORIES		
Raw Materials	41.55	
Stores and Spares	217.88	-
Construction /Development Work in Progress	309.59	76.85
Total	**569.02**	**76.85**

Schedule 9	2006	2005
SUNDRY DEBTORS		
Unsecured		
Considered good		
Outstanding for a period exceeding six months	75.64	69.88
Other debts*	545.65	65.45
	621.29	135.33
Considered doubtful		
Outstanding for a period exceeding six months	4.48	4.48
Less: Provision	4.48	4.48
	-	-
* *Includes unbilled revenue - Rs. 68.98 Millions (2005- Nil).*		
Total	**621.29**	**135.33**

Schedule 10	2006	2005
CASH AND BANK BALANCES		
Cash on Hand	31.98	0.12
Balances with Scheduled Banks		
- On Current Accounts	300.18	50.60
- On Deposit Accounts	523.13	218.45
- On Margin Money Accounts*	30.93	102.57
* *Margin money deposits are towards Letters of Credit and Bank Guarantees given by banks on behalf of the company.*		
Total	**886.22**	**371.74**

Schedule 11	2006	2005
OTHER CURRENT ASSETS (Unsecured and Considered good)		
Interest accrued but not due	11.43	2.31
Total	**11.43**	**2.31**

Schedule 12	2006	2005
LOANS AND ADVANCES (Unsecured and Considered good, unless otherwise stated)		
Loans to Employees	1.97	2.50
Advance towards share application money	-	122.24
Advances recoverable in cash or in kind or for value to be received		
Considered Good		
To Purchase Land *	2,045.00	-
To Sub contractors	350.04	686.18
To Others	272.74	165.49
	2,667.78	851.67
Considered Doubtful		
To others	1.22	1.22
Less: Provision	1.22	1.22
	-	-
Deposits		
Considered Good		
Government Authorities	10.47	2.41
Others	159.11	178.10
	169.58	180.51
Considered Doubtful		
Others	3.81	3.81
Less: Provision	3.81	3.81
	-	-
Prepaid expenses	13.00	-
Advance Tax (Net of Provision)	11.15	39.43
* *Includes Rs.977.50 Millions in the form of Demand Drafts in favour of Andhra Pradesh Industrial Infrastructure Corporation payable on execution of Development Agreement.*		
Total	**2,863.48**	**1,196.35**

Schedule 13	2006	2005
CURRENT LIABILITIES AND PROVISIONS		
a) Liabilities		
Sundry Creditors		
Due to Small Scale Industrial Undertakings	0.09	0.03
Due to other than Small Scale Industrial Undertakings	778.38	390.54
Other Liabilities	498.70	80.04
Advance from customers	1,438.84	362.85
Interest accrued but not due	15.59	-
Total	**2,731.60**	**833.46**
b) Provisions		
Provision for Employee Benefits	10.07	1.27
Provision for Operations & Maintenance (Net of advances)	32.71	-
Total	**42.78**	**1.27**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED JUNE 30,

Schedule 14	2006	2005
SALES AND OPERATIONAL INCOME		
Income from Contract Operations	471.56	195.17
Income from sale of electrical energy	569.46	4.71
Income from Trade Investments	1.88	-
Profit/(Loss) on sale of Investment (Net)	58.78	(4.32)
Total	**1,101.68**	**195.56**

Schedule 15	2006	2005
OTHER INCOME		
Interest received (gross) on deposits and margin money. (Tax deducted at source - Rs.1.53 Millions (2005 - 0.42 Millions)	5.75	3.94
Miscellaneous income	2.15	1.50
Total	**7.90**	**5.44**

Schedule 16	2006	2005
CONSTRUCTION, GENERATION AND OPERATING EXPENSES		
Opening Contract Work in Progress	121.46	116.21
Add: Construction expenses	32.72	32.50
Less: Closing Work in Progress	146.10	106.30
	8.08	42.41
Power Purchase	448.11	-
Less: Prompt Payment Rebate	8.93	-
Raw materials	13.95	-
Consumption of fuel	42.21	-
Consumption of stores and spares	6.27	-
Labour charges	0.14	0.17
Site Expenses	0.88	0.55
Repairs and maintenance:		
Plant & machinery	0.41	0.49
Building	0.88	-
Others	0.02	-
Total	**512.02**	**43.62**

Schedule 17	2006	2005
ADMINISTRATION AND OTHER EXPENSES		
Salaries, allowances and benefits to employees	19.79	6.20
Contribution to provident fund and others	0.92	0.09
Staff welfare expenses	0.22	-
Employee Compensation Expenses-ESOP	0.68	-
Rent	2.06	0.26
Repairs and maintenance:		
Plant & machinery	1.13	-
Building	0.01	-
Others	0.27	-
Rates and taxes	3.44	0.05
Insurance	2.95	0.68
Consultancy and other professional charges	3.92	2.05
Directors' remuneration	5.25	-
Electricity charges	0.12	-
Remuneration to Auditors		
Audit Fees	0.41	0.13
Certification	0.01	-
Travelling and conveyance	4.33	1.36
Communication expenses	1.15	0.25
Sales Tax (net of recoveries)	0.05	0.22
Hire Charges	0.11	-
Printing & Stationery	0.06	-
Office Maintenance	0.68	0.07
Business Promotion	1.10	0.04
Advertisement expenses	2.24	-
Miscellaneous Expenses	3.93	0.23
	54.83	11.63
Less: Transferred to Development cost	11.32	-
Total	**43.51**	**11.63**

Schedule 18	2006	2005
INTEREST AND FINANCE CHARGES		
Interest on term loans	60.23	0.35
Interest - Others	5.78	4.51
Guarantee Commission	0.68	0.39
Bank and Other finance charges	9.50	2.31
	76.19	7.56
Less: Transferred to Development cost	19.54	-
Total	**56.65**	**7.56**

Schedule 19

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

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 structure, 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. One of the Subsidiaries 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 for each of the quarters are listed below:

Sl. No.	Name of the Company	Relationship	Percentage of Ownership Interest June 30, 2006	June 30, 2005
1	Aban Power Company Limited (APCL)	Subsidiary	51.02 %	11.74 %
2	Rithwik Energy Systems Limited (RESL)	Subsidiary	56.67 %	45.69 %
3	Clarion Power Corporation Limited (CPCL)	Subsidiary	86.01 %	46.57 %
4	Lanco Electric Utility Limited (LEUL)	Subsidiary	99.76 %	48.06 %
5	Lanco Amarkantak Power Private Limited (LAPPL)	Subsidiary	98.85 %	63.40 %
6	Lanco Hills Technology Park Private Limited (LHTPPL)	Subsidiary	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 %	-
10	Coral Agro Estates Private Limited (CAEPL)	Subsidiary	99.98 %	-

Sl. No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			June 30, 2006	June 30, 2005
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	Vamshi Hydro Energies Private Limited (VHEPL)	Associate	-	37.04 %
18	Vamshi Industrial Power Limited (VIPL)	Associate	-	42.00%
19	Lanco Kondapalli Power Private Limited	Associate	33.90%	7.00%
20	Genting Lanco Power (India) Private Limited	Associate	26.00%	-

Subsidiaries of Lanco Hydro Power Ventures Private Limited

Sl . No.	Name of the Company	Relationship	Percentage of Ownership Interest	
			June 30, 2006	June 30, 2005
1	Lanco Hydro Energies Private Limited (LHEPL)	Subsidiary	100.00 %	-
2	Vamshi Hydro Energies Private Limited (VHEPL)	Subsidiary	99.81 %	-
3	Vamshi Industrial Power Limited (VIPL)	Subsidiary	99.61 %	-

3. **The Significant Accounting Policies are as follows:**

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/Power Purchase Agreement . Claims for delayed payment charges and any other claims, which the company is entitled to under the Power Distribution Agreement/Power Purchase 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.

Operations and Maintenance

APCL 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.

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 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.In case of APCL, cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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.

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.

In case of APCL, RESL and CPCL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

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.

Inventories

In case of LITL, inventories after providing for obsolescence are valued as under:

a. Stores and Spares on a First In First Out basis.

b. Project and Construction related Work-in-progress at cost or lower.

In case of LHTPPL, inventories including Real Estate development are stated at cost or net realisable 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.

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.

Retirement Benefits

Retirement benefits are accounted for on the basis of actuarial valuation, with contributions to provident fund charged against revenue each year.

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.

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.

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 Financial Statements of the Company and its subsidiaries and associates:

i. Contingent liabilities

(Rs. in Millions)

	Particulars	June 30, 2006	June 30, 2005
a)	Bank Guarantee	566.52	182.45
b)	Corporate Guarantee	6,615.86	7,062.33
c)	Entry Tax Liability	10.35	-
d)	Income Tax Liability	15.54	-
e)	Letter of Credit	340.64	-
f)	Sales Tax Liability	1.37	1.37
g)	Additional Customs Duty	8.91	-

ii. Capital commitments

(Rs. in Millions)

	Particulars	June 30, 2006	June 30, 2005
a)	Estimated Value of Contracts remaining to be executed on capital account, not provided for (net of advances)	19,160.00	10,050.51

iii. Prince Stone Investments Limited, the holding company of LITL holds 74,498,820 fully paid up equity shares of Rs. 5 each (Previous quarter - 6,208,235 fully paid up equity shares of Rs. 10 each).

iv. During the quarter ended June 30, 2006, 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 an Extra-ordinary General Meeting of the members held on June 7, 2006.

Further the equity shares of the company of a face value of Rs.5 each have been consolidated into a face value of Rs.10 each vide the Extra-ordinary General Meeting of the members held on July 30, 2006.

During the quarter ended June 30, 2006, 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.

v. During the year 2005-06, as per the arbitration award received from the tribunal, a sum of Rs.18.71 Millions is 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 is recoverable and no provision is required at this stage.

vi. In case of CPCL and RESL, sales invoices are raised from 1st April, 2006 to 23rd May, 2006 at the rate of Rs. 3.48 per unit of power & from 24th May, 2006 to 30th June, 2006 at the rate of Rs. 4.028 per unit of power exported to Transmission Corporation of Andhra Pradesh (APTRANSCO) as per the Order dated 2nd June, 2006 of the Appellate Tribunal for Electricity. Against which the company is receiving the sale proceeds based upon the Andhra Pradesh

Electricity Regulatory Commission (APERC) revised rate of Rs. 2.93 per unit of export of power to APTRANSCO for the period from 1st April, 2006 to 30th June, 2006. The Honorable High Court of Andhra Pradesh has passed an interim order for payment of difference between the old rate and the revised rate (from June 2004 onwards) in addition to the rate directed by APERC till further order. The impact of difference between the rates mentioned above on the sales invoices raised is Rs.6.24 Millions (CPCL) and Rs.4.96 Millions (RESL). The Appellate Tribunal for Electricity vide its Order dated 2nd June, 2006, has set aside the impugned proceedings of APERC with a direction to the APTRANSCO and its Electricity Distribution Companies to continue the Power Purchase at the same rate at which the power generated by NCE Developers was supplied to them before passing of the impugned order of the Commission dated 20th March, 2004 and 7th July, 2004 with all differences and arrears thereof, till date and continue to pay the same rate, until a new Power Purchase Agreement is entered into by them in terms of State Government Policy directions that may be made hereafter and approved by the Regulatory Commission.

vii. In case of APCL, Sundry Debtors include an amount of Rs.5.81 Millions receivable from Tamil Nadu Electricity Board (TNEB) against the Supply of electricity prior to commencement of commercial operations, pending final acceptance of the same. However management is of the view that the same will be recovered as per the terms of the PPA and no provision is required at this stage.

viii. Some of the long-term unquoted investments in equity shares held by LITL in its subsidiary and associate companies, have been pledged as security towards loan facilities sanctioned to the respective investee companies. Such investments in subsidiaries not being a part of these consolidated financial statements, details of such shares pledged have not been provided. The details of the pledged shares of the associates are as given below:

For the Quarter ended June 30, 2006	No. of Shares
Lanco Kondapalli Power Private Limited	115,260,000

For the Quarter ended June 30, 2005	No. of Shares
Aban Power Company Limited	15,471,309
Clarion Power Corporation Limited	6,915,140
Lanco Kondapalli Power Private Limited	23,800,000

ix. In case of LAPPL, Leasehold land taken on a 99 year lease from Chhattisgarh Industrial Development Corporation Limited (CSIDC) includes the compensation and related costs paid to CSIDC for acquiring the said land.

x. In case of LAPPL, Fixed Deposit Receipts of Rs. 10.19 Millions shown under Cash and Bank Balances are under lien with Banks for Guarantees issued by them.

xi. Loans and Advances

a. Advances recoverable from sub contractors of LITL for the Quarter ended June 30, 2006 included an amount of Rs. 54.51 millions due from a firm in which directors of the company are partners.

b. LHTPPL was selected by Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for development of integrated IT Park at Manikonda in 100 acres (approx.) land. The total cost of the land is Rs. 4,266.60 Millions out of which Rs.2,045.00 Millions has been paid. The same has been considered as advance, pending execution of development agreement, land demarcation, approach road and environmental clearances.

xii. In case of LAPPL, LEPL, LGPPL, LHPVPL, CAEPL, GAEPL, DFPL, RAFPL, PFPL, UPPL, NPPL, LHEPL, VIPL, VHEPL and LHEPL, Profit and Loss Account has not been prepared for the quarter as these Companies are 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).

xiii. **Disclosure pursuant to Accounting Standard (AS) 7 (Revised)**

(Rs. in Millions)

	Particulars	June 30, 2006	June 30, 2005
1.	Amount of Contract revenue recognized as revenue in the quarter	471.56	195.17
2.	Aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	617.66	301.47
3.	Amount of customer advances outstanding for contracts in progress	1,438.18	362.85
4.	Retention amount due from customers for contracts in progress	72.58	142.34

xiv. **Operating Leases**

Some of the consolidated entities have entered into certain operating lease agreements. An amount of Rs. 2.06 millions (June 2005 – Rs. 0.26 millions) and Rs. 7.90 millions (June 2005 – Rs. 2.12 millions) paid under such agreements has been disclosed as 'rent' under administration and other expenses & expenditure during construction period, pending allocation (net) respectively. These agreements are cancelable in nature.

xv. **Calculation of EPS- (Basic & Diluted)**

Particulars	**June 30, 2006**	**June 30, 2005**
Net Profit after tax– for Basic and Diluted EPS (Rs. in Millions)	130.59	28.95
Weighted average number of equity shares outstanding during the Quarter – considered for Basic EPS	166,544,520	141,669,682
Weighted average number of equity shares outstanding during the Quarter – considered for Diluted EPS	166,547,636	141,669,682
Earning Per share - Basic & Diluted (Rs.)	0.78	0.20

Calculation of weighted average number of shares outstanding during the year

Particulars	**June 30, 2006**	**June 30,2005**
Nominal value of equity shares as on - (Rs./share) [Refer Note 4(a)]	10	10
Total number of equity shares outstanding at the beginning of the period – Rs. 5 per share paid up	30,768,888	7,692,222
Bonus Equity Shares issued (Refer Note 1 below)	15,384,444	15,384,444
Fresh Allotment of Shares	10,637,144	-
Split of Equity Shares..(Refer Note 2 below)	56,790,476	23,076,666
Allotment of Shares (Refer Note 3 below)	5,012,064	-
Consolidation of Shares (Refer Note 4(a) below)	59,296,508	23,076,666
Bonus Equity Shares issued (Refer Note 4(b) below)	118,593,016	118,593,016
Weighted average number of equity shares outstanding during the Quarter – Considered for Basic EPS	**166,544,520**	**141,669,682**
Weighted average number of equity shares outstanding during the Quarter – Considered for Diluted EPS	**166,547,636**	**141,669,682**

Notes:

1. On April 24, 2006, the company has issued 15,384,444 bonus shares to the shareholders in the ratio of one share for every two shares held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2005-06, the earliest period reported.
2. On June 7, 2006, the company has split the Equity shares from Rs. 10/- per share to Rs . 5/- per share, resulting in increase in the number of equity shares outstanding.
3. The Company has allotted 5,012,064 equity shares to LCL Foundation Trust pursuant to an Employee Stock Option Scheme administered through trust.
4. Pursuant to para 44 of Accounting Standard (AS) 20 Earnings Per Share, EPS has been computed after considering the following events occurred subsequent to the Balance Sheet date:
   a. On June 30, 2006, the face value of the Company was Rs. 5 per share which was consolidated into shares of Rs. 10 per share on July 30, 2006, resulting in decrease in the number of equity shares outstanding. The nominal value of equity shares as on September 9, 2006 is Rs 10.
   b. On July 30, 2006, the company has issued 118,593,016 bonus shares to the shareholders in the ratio of two shares for every share held by them. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the period 2005, the earliest period reported.

xvi. **Employee Stock Option Scheme**

During the quarter ended June 30, 2006, 5,012,064 equity shares of Rs. 5/- each were allotted in addition to 2,400,000 equity shares of Rs. 5/- 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 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 were granted to eligible employees and were outstanding as at June 30, 2006.

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

Options Outstanding

Particulars	June 30, 2006	June 30, 2005
Outstanding at the beginning of the period	Nil	Nil
Options Granted during the period	149,400	Nil
Options Exercised during the period	Nil	Nil
Outstanding at the end of the period	149,400	Nil

xvii. **The Deferred Tax Liability – Net is as under:**

(Rs. in Millions)

Particulars	June 30, 2006	June 30, 2005
Deferred Tax Liability as at the commencement of the period due to Fixed Assets Block	30.65	37.72
Less : Reversal of Deferred Tax Liability on account of Depreciation	1.56	3.45
Deferred Tax Liability- Net	29.09	34.27

xviii. **Segment Reporting:**

a) 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.

b) 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.

c) The Group's activities are restricted within India. The conditions prevailing within India being predominantly uniform, no separate geographical segment disclosure is considered necessary.

d) For the purpose of reporting, business segments are primary segments and the geographic segment is a secondary segment.

Sl. No.	Segment	Name of the Company
1	**Construction**	1. Lanco Infratech 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.
3	**Property Development**	1. Lanco Hills Technology Park Private Limited (LHTPPL) 2. Coral Agro Estates Private Limited 3. Garnet Agro Estates Private Limited 4. Diamond Farms Private Limited 5. Ruby Agro Farms Private Limited 6. Pearl Farms Private Limited 7. Uranus Projects Private Limited 8. Neptune Projects Private Limited
4	**Others**	1. Lanco Infratech Limited.

e) The details of segment information for the Quarter ended June 30,

Business Segments	Construction		Power		Property Development		Others		Unallocable		Intercompany		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue														
Revenue from Customers	471.56	195.17	569.46	4.71	-	-	60.66	(4.32)	-	-	-	-	1,101.68	195.56
Inter Segment Revenue	67.29	-	-	-	-	-	-	-	-	-	(67.29)	-	-	-
Total Revenues	**538.85**	**195.17**	**569.46**	**4.71**	**-**	**-**	**60.66**	**(4.32)**	**-**	**-**	**(67.29)**	**-**	**1,101.68**	**195.56**
Operating Expenses	337.19	161.90	502.12	0.49	-	-	-	-	-	-	-	-	839.31	162.39
Depreciation	1.01	0.67	28.11	3.96	-	-	-	-	-	-	-	-	29.12	4.63
Segmental Operating Profit/(Loss)	**200.65**	**32.60**	**39.23**	**0.26**	**-**	**-**	**60.66**	**(4.32)**	**-**	**-**	**(67.29)**	**-**	**233.25**	**28.54**
Interest Income/(expense), net	-	-	(21.44)	(0.96)	(0.03)	-	-	-	(25.00)	0.04	-	-	(46.47)	(0.92)
Other income/(expense), net	(31.22)	(12.89)	(14.94)	(0.35)	(0.72)	-	-	-	0.74	0.26	-	-	(46.14)	(12.98)
Profit/(Loss) before tax	**169.43**	**19.71**	**2.85**	**(1.05)**	**(0.75)**	**-**	**60.66**	**(4.32)**	**(24.26)**	**0.30**	**(67.29)**	**-**	**140.64**	**14.64**
Taxation -														
Current tax	-	-	-	-	-	-	-	-	-	-	-	-	48.74	6.80
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	(1.60)	(3.45)
Fringe Benefit tax	-	-	-	-	-	-	-	-	-	-	-	-	0.22	0.07
Net Profit/(Loss) for the Period													**93.28**	**11.22**
Other Information														
Segment Assets	2,977.43	928.84	10,323.76	825.22	2,238.91	-	1,653.77	714.54	507.94	218.45	(1,597.53)	-	16,104.28	2,687.05
Segment Liabilities	3,495.56	871.49	6,678.70	590.53	1,862.65	-	-	-	1,884.63	341.12	(1,349.06)	-	12,572.48	1,803.14
Depreciation	24.11	21.31	506.55	50.04	0.22	-	-	-	-	-	-	-	530.88	71.35
Capital Expenditure	7.39	0.71	8,813.12	213.11	0.38	-	-	-	183.85	1.56	-	-	9,004.74	215.38

xix. **Related party transactions**

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

Sl. No.	Relationship	Name of the Parties
1	**Holding Company**	**Prince Stone Investments Limited**
2	**Enterprise where significant influence exists/ Enterprises which are Associates of the reporting enterprise**	Lanco Kondapalli Power Private Limited (LKPPL) Genting Lanco Power India Private Limited (GLPIPL) Lanco Property Management Private Limited (LPMPL) Lanco Group Limited (LGL) S.V. Contractors (SVC) Lanco Rani (Partnership Firm) (LRJV) Lanco Usha (Partnership Firm) (LUJV) LCL Foundation- ESOP Trust (ESOP Trust) Century Investments Limited (CIL) Third Millenium 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) Aban Power Company Limited (APCL)*
3	**Key Management Personnel and their Relatives**	Mr. L. Madhusudhan Rao, Chairman(LMR) Mr. L. Rajagopal (Brother)(LRG) Mr. Sridhar Lagadapati (Brother)(LG) Ms. L. Padma (Sister) Mr. L. Venkata RamaNaidu (Father) Ms. L. Ramalakshmamma (Mother) Mr. G. Bhaskara Rao, Vice Chairman (GBR) Ms. G. Padmavathi, (Wife) Mr. G. Venkatesh Babu, Managing Director(GVB) Mr. S.C. Duggal**

* *APCL was an associate during the quarter ended June 30, 2005.*

** *Key Management Personnel only during the quarter ended June 30, 2005.*

b) Details of Transactions

(Rs. in Millions)

Nature of Transaction	For the period ended June 30, 2006						For the period ended June 30, 2005					
	Holding Company		Enterprises where significant influence exists		Key Management Personnel and their relatives		Holding Company		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
Rent received		-		-		-		-	APCL	0.26		-
Civil Contract Services rendered		-	LR	36.99		-		-	LR	3.41		-
Contract Service/ Shared Service fees		-	SVC	3.85		-		-	LGL	2.62		-
		-	LGL	11.48		-		-		-		-
				15.33						**2.62**		
Directors' Remuneration		-		-	LMR	1.80	-		SCDuggal	0.17		-
		-		-	GBR	1.80	-	-		-		
		-		-	GVB	1.50	-	-		-		
						5.10				**0.17**		
Purchase of Equity Shares	PSIL	73.39	CIL	353.68	LMR	4.71		-		-		-
			IPVL	375.94	GBR	5.14						
			TMIL	1,131.38	LS	4.67						
			Others	110.00	LRG	3.81						
					Others	0.17						
		73.39		**1,971.00**		**18.50**						
Issue of Equity Shares		-	LGL	1,914.69		-		-		-		-
			Others	25.06								
				1,939.75								
Issue of Bonus Shares	PSIL	248.33	LGL	53.19	GBR	12.68		-		-		-
			Others	8.00	LRG	12.19						
					LMR	12.17						
					LS	12.16						
					Others	2.16						
		248.33		**61.19**		**51.36**						
Share application money		-	HHEPL	1.20		-		-	CPCL	18.66		-
			RHEPL	3.40					Larsco	22.83		
Trade Mark License Fee			LRG	0.0*								
				4.60						**41.49**		
Balance Payable at the Quarter ended		-		106.13		-		-		147.31		0.04
				106.13						**147.31**		**0.04**

**Included in the above payments is a sum of Rs. 100 paid to Mr. L Rajagopal for Trade Mark License.*

Auditors' Report

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

Dear Sirs,

We have audited the attached Balance Sheet of Aban Power Company Limited, as at March 31, 2006, June 30, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 and the related Profit and Loss Account for the period ended March 31, 2006 and Cash Flow Statement for the periods ended on March 31, 2006 and June 30, 2005 and years ended on March 31, 2004, March 31, 2003 and March 31, 2002 annexed there to, which we have signed under reference to this report. These financial statements are the responsibility of the management of Aban Power Company Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion and report that:

i. 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;

ii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iii. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards issued by the Institute of Chartered Accountants of India;

iv. 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 a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006, June 30, 2005, March 31, 2004, March 31, 2003 and March 31, 2002

   b) in the case of the Profit and Loss Account, of the profit for the period ended March 31, 2006; and

   c) in the case of the Cash Flow Statement, of the cash flows for the periods ended on March 31, 2006 and June 30, 2005 and years ended on March 31, 2004, March 31, 2003 and March 31, 2002.

P. Rama Krishna
Partner
Membership Number: 22795

For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: June 16, 2006

APPENDIX - IV

ABAN POWER COMPANY LIMITED

BALANCE SHEET

(Amount in Millions of Rupees)

	PARTICULARS	Schedule	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I	**SOURCES OF FUNDS**						
	(1) Shareholder's Funds						
	Capital	1	1,318.20	1,318.20	726.98	0.50	0.01
	Reserves and surplus	2	33.54	-	-	-	-
	(2) Loan Funds						
	Secured Loans	3	3,086.58	3,023.08	791.48	-	-
	Unsecured Loans	4	-	-	497.99	0.02	-
	TOTAL		**4,438.32**	**4,341.28**	**2,016.45**	**0.52**	**0.01**
II	**APPLICATION OF FUNDS**						
	(1) Fixed Assets	5					
	(a) Gross block		4,078.72	21.80	14.11	9.60	22.55
	(b) Less : Depreciation		200.18	1.49	0.22	0.02	-
	(c) Net Block		3,878.54	20.31	13.89	9.58	22.55
	(d) Capital Work in Progress		1.30	3,646.65	1,821.03		
	(e) Pre-operative expenditure pending Capitalisation	6	-	515.59	165.86	81.89	75.58
	(2) Investments	7	-	38.63	79.09	-	-
	(3) Current Assets, Loans and Advances						
	(a) Inventories	8	216.39	-	-	-	-
	(b) Sundry Debtors	9	78.00	101.59	-	-	-
	(c) Cash and Bank Balances	10	326.09	32.54	73.66	5.63	-
	(d) Loans and Advances	11	27.01	33.82	56.29	68.36	-
	(e) Other Current Assets	12	2.23	0.33	2.51	0.06	
			649.72	**168.28**	**132.46**	**74.05**	**-**
	Less : Current Liabilities and Provisions						
	(a) Liabilities	13	70.62	51.97	33.42	121.37	98.15
	(b) Share Application Money		-	-	164.65	43.64	-
	(c) Provisions		20.62	3.36	2.21	0.02	-
			91.24	**55.33**	**200.28**	**165.03**	**98.15**
	Net Current Assets		558.48	112.95	(67.82)	(90.98)	(98.15)
	Miscellaneous expenditure to the extent not written off	14	-	7.15	4.40	0.03	0.03
	TOTAL		**4,438.32**	**4,341.28**	**2,016.45**	**0.52**	**0.01**
	Significant Accounting Policies and Notes to the Accounts	19					

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 of Directors

Whole Time Director Director

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
June 16, 2006

R. Parthasarathy
General Manager (Finance)
& Company Secretary
Hyderabad
June 14, 2006

ABAN POWER COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

(Amount in Millions of Rupees)

Sl. No.	Particulars	Schedule	August 11, 2005 to March 31, 2006
I	**INCOME**		
	Sale of Electrical energy		1,006.95
	Less : Rebate		27.82
			979.13
	Other Income	15	4.33
	TOTAL		**983.46**
II	**EXPENDITURE**		
	Generation expenses	16	529.56
	Administration and other expenses	17	47.46
	Interest and Finance charges	18	171.06
	Depreciation		198.54
	TOTAL		**946.62**
III	**Profit Before Taxation**		36.84
IV	**Provision for Taxation**		
	Current Tax		3.10
	Fringe Benefit Tax		0.20
V	**Profit After Taxation**		**33.54**
VI	**Profit Available for Appropriations**		**33.54**
VII	**Balance Carried to Balance Sheet**		**33.54**
	Basic and Diluted Earnings per Share		0.25
VIII	**Significant Accounting Policies and Notes to the Accounts**	**19**	

The Schedules 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

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
June 16, 2006

For and on behalf of the Board of Directors

Whole Time Director   Director

R. Parthasarathy
General Manager (Finance)
& Company Secretary

Hyderabad
June 14, 2006

ABAN POWER COMPANY LIMITED

CASH FLOW STATEMENT

(Amount in Millions of Rupees)

		2006	2005	2004	2003	2002
A	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit after Tax	33.54	-	-	-	-
	Adjustment for:					
	Depreciation	198.69	1.27	0.21	0.02	-
	Deferred revenue written off	7.15	(2.75)	(4.37)	-	
	Operating Profit before Working Capital changes	**239.38**	**(1.48)**	**(4.16)**	**0.02**	**-**
	Increase / Decrease in Trade & Other Receivables	23.60	(101.59)	-	-	-
	Increase / Decrease in Inventories	(216.40)	-	-	-	-
	Increase / Decrease in Trade Payables	40.08	19.71	(85.76)	23.25	3.75
	Increase / Decrease in Advances	0.74	24.64	9.62	(68.42)	2.13
	Cash Flow from Operations	**87.40**	**(58.72)**	**(80.30)**	**(45.15)**	**5.88**
	Net Cash Flow from Operating Activities	**87.40**	**(58.72)**	**(80.30)**	**(45.15)**	**5.88**
B	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Assets	104.02	(2,183.05)	(4.50)	12.95	-
	Purchase of Investments	38.63	40.46	(79.10)	-	-
	Capital Work-in-Progress / Pre-operative Exp.	-	-	(1,905.00)	(6.31)	(5.88)
	Net Cash Flow from Investing activities	**142.65**	**(2,142.59)**	**(1,988.60)**	**6.64**	**(5.88)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from Share Capital	-	426.57	726.48	0.50	-
	Proceeds from Share Application money / advance against Share Capital	-	-	121.00	43.64	-
	Proceeds from Long Term Borrowings	-	1,733.62	1,289.45	-	-
	(Repayment of)/Proceeds from Short Term Borrowings	63.50	-	-	-	-
	Net Cash Flow from/ (used) in Financing Activities	**63.50**	**2,160.19**	**2,136.93**	**44.14**	**-**
	NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	293.55	(41.12)	68.03	5.63	-
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	32.54	73.66	5.63	-	-
	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**326.09**	**32.54**	**73.66**	**5.63**	**-**

Notes:

1. *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*
2. *Cash and Cash Equivalents include margin money deposits amounting to Rs. 4.03 millions (2005-Rs.7.56 millions, 2004-Rs.12.72 millions, 2003-nil, 2002-nil)*
3. *Previous year's figures have been regrouped and reclassified to conform to those of the current year*

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of
Price Waterhouse,
Chartered Accountants

P. Rama Krishna
Partner

Hyderabad
June 16, 2006

For and on behalf of the Board of Directors

Whole Time Director **Director**

General Manager
(Finance) & Secretary

Hyderabad
June 14, 2006

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 1					
SHARE CAPITAL					
Authorised	1,350.00	1,350.00	800.00	2.50	2.50
135,000,000 (2004 - 80,000,000, 2003 & 2002 - 250,000) Equity shares of Rs 10 each					
Issued, Subscribed and Paid Up	1,318.20	1,318.20	726.98	0.50	0.01
131,820,000 (2004 - 80,000,000, 2003 - 50,000 and 2002 - 70) Equity shares of Rs. 10 each					
Total	**1,318.20**	**1,318.20**	**726.98**	**0.50**	**0.01**

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 2					
RESERVES AND SURPLUS					
Profit and Loss Account					
Transferred from Profit and Loss Account	33.54	-	-	-	-
Total	**33.54**	**-**	**-**	**-**	**-**

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 3					
SECURED LOANS					
Debentures	-	-	34.40	-	-
344 Secured Redeemable Non-convertible Debentures of Rs. 100,000/- each bearing interest at the rate of 11.25% per annum. The debentures were redeemed during 2004-05.					
The debentures are secured by way of first mortgage / charge in favour of Debenture Trustee on the property situated at Mouje Irana, Kadi Taluka, District Mehsana, in the State of Gujarat.					
Debenture Application Money	-	-	16.00	-	-
Term Loans					
Rupee Loans					
From Financial Institutions	95.00	100.00	20.10	-	-

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
From Banks	1,875.49	1,973.62	365.64	-	-
(Rupee Term Loans are secured by first *pari passu* 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.)					
Vehicle Loans (Secured by Hypothecation of vehicles purchased)	0.48	0.99	1.71	-	-
Foreign Currency Loans					
From Banks	84.76	88.59	-	-	-
From Financial Institutions	817.92	839.89	353.63	-	-
(Foreign Currency Term Loans are secured by first paripassu 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.)					
Cash credit and Working Capital Demand Loans From Banks (Cash Credit and Working Capital Demand Loan are secured by first paripassu 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. Overdrafts are secured by way of Fixed Deposits of the Company.)	212.93	20.00	-	-	-
Total	**3,086.58**	**3,023.08**	**791.48**	**-**	**-**

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 4					
UNSECURED LOAN					
Short Term Loan from Banks	-	-	497.97	-	-
Other than Short Term Loan	-	-	0.02	0.02	-
Total	**-**	**-**	**497.99**	**0.02**	**-**

SCHEDULE 5

FIXED ASSETS

(Amount in Millions of Rupees)

Description of Assets	Gross Block				Depreciation Block			Net Block	
	As at June 30, 2005	Additions	Deletions	As at March 31, 2006	As at June 30, 2005	For the year	As at March 31, 2006	As at March 31, 2006	As at June 30, 2005
Land	10.12			10.12	-	-	-	10.12	10.12
Building	-	475.08		475.08	-	10.09	10.09	464.99	-
Plant and Machinery*	0.12	3,580.73		3,580.85	0.01	187.55	187.56	3,393.29	0.11
Furniture & Fixtures	1.70	0.30		2.00	0.39	0.19	0.58	1.42	1.31
Office Equipments	4.02	0.81		4.83	0.46	0.45	0.91	3.92	3.56
Vehicles	5.84			5.84	0.63	0.41	1.04	4.80	5.21
Total	**21.80**	**4,056.92**	**-**	**4,078.72**	**1.49**	**198.69**	**200.18**	**3,878.54**	**20.31**

Depreciation for the period July 1, 2005 to August 11, 2005 amounting to Rs. 0.15 million included in depreciation above is capitalised pertaining to the Pre-operative Period.

* Include foreign exchange fluctuation Rs. 18.29 Million (addition during the period) up to March 31, 2006.

SCHEDULE 5 (Contd…)

FIXED ASSETS

(Amount in Millions of Rupees)

Description of Assets	Gross Block				Depreciation Block			Net Block	
	As at March 31, 2004	Additions	Deletions	As at June 30, 2005	As at March 31, 2004	For the year	As at June 30, 2005	As at June 30, 2005	As at March 31, 2004
Land	10.09	0.03	-	10.12	-	-	-	10.12	10.09
Plant and Machinery	0.12	-	-	0.12	-	0.01	0.01	0.11	0.12
Furniture & Fixtures	0.24	1.46	-	1.70	0.08	0.31	0.39	1.31	0.16
Office Equipments	1.24	2.78	-	4.02	0.10	0.36	0.46	3.56	1.14
Vehicles	2.42	3.42	-	5.84	0.04	0.59	0.63	5.21	2.38
Total	**14.11**	**7.69**	**-**	**21.80**	**0.22**	**1.27**	**1.49**	**20.31**	**13.89**

SCHEDULE 5 (Contd…)

FIXED ASSETS

(Amount in Millions of Rupees)

Description of Assets	Gross Block				Depreciation Block			Net Block	
	As at March 31, 2003	Additions	Deletions	As at March 31, 2004	As at March 31, 2003	For the year	As at March 31, 2004	As at March 31, 2004	As at March 31, 2003
Land	9.42	0.67	-	10.09	-	-	-	10.09	9.42
Plant and Machinery	-	0.12	-	0.12	-	-	-	0.12	-
Furniture & Fixtures	0.10	0.14	-	0.24	0.01	0.07	0.08	0.16	0.09
Office Equipments	0.06	1.18	-	1.24	0.01	0.09	0.10	1.14	0.05
Vehicles	0.02	2.40	-	2.42	-	0.04	0.04	2.38	0.02
Total	**9.60**	**4.51**	**-**	**14.11**	**0.02**	**0.20**	**0.22**	**13.89**	**9.58**

SCHEDULE 5 (Contd…)

FIXED ASSETS

(Amount in Millions of Rupees)

Description of Assets	Gross Block				Depreciation Block			Net Block	
	As at March 31, 2002	Additions	Deletions	As at March 31, 2003	As at March 31, 2002	For the year	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
Land	22.55	9.42	22.55	9.42	-	-	-	9.42	22.55
Furniture & Fixtures	-	0.10	-	0.10	-	0.01	0.01	0.09	-
Office Equipments	-	0.06	-	0.06	-	0.01	0.01	0.05	-
Vehicles	-	0.02	-	0.02	-	-	-	0.02	-
Total	**22.55**	**9.60**	**22.55**	**9.60**	**-**	**0.02**	**0.02**	**9.58**	**22.55**

SCHEDULE 5 (Contd…)

FIXED ASSETS

(Amount in Millions of Rupees)

Description of Assets	Gross Block				Depreciation Block			Net Block	
	As at March 31, 2001	Additions	Deletions	As at March 31, 2002	As at March 31, 2001	For the year	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Land	-	22.55	-	22.55	-	-	-	22.55	-
Total	**-**	**22.55**	**-**	**22.55**	**-**	**-**	**-**	**22.55**	**-**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET
STATEMENT OF PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 6					
Opening Balance	**515.59**	**165.86**	**81.89**	**75.58**	**69.70**
Natural Gas used for Testing	55.63	102.79	-	-	-
Salaries & Bonus	2.30	18.31	6.10	1.14	0.21
Staff welfare & Other Amenities	0.35	3.09	0.54	0.03	0.16
Site Expenses	0.49	0.90	0.11	0.02	-
Rent	0.16	1.67	1.27	0.33	0.04
Rates and Taxes	0.01	0.51	0.13	0.27	0.01
Power	0.11	0.36	0.51	0.08	-
Professional fees	5.95	49.81	13.76	1.36	3.02
Repairs and Maintenance	0.19	2.02	0.66	0.35	0.01
Insurance	5.66	32.60	16.34	-	-
Travelling & Conveyance Expenses	0.10	9.42	7.63	1.72	0.06
Telephone and Fax	0.21	1.34	0.61	0.19	0.02
Printing and Stationery	0.04	0.63	0.39	0.08	-

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET
STATEMENT OF PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 6					
Postage and Courier	0.01	0.13	0.09	0.01	-
Business promotion expenses	-	0.05	0.09	0.01	-
Audit fees	0.03	0.15	0.10	0.02	0.01
Interest					
a) On Term loans	24.46	210.99	40.18	-	-
b) On Debentures	-	3.68	2.01	-	-
c) On Others	0.06	0.06	4.38	-	-
Bank / Processing charges	0.08	11.25	33.69	0.03	-
Bank Guarantee / LC Commission	0.11	0.94	0.72	0.49	2.32
Exchange fluctuations	2.40	2.90	(41.51)	-	-
Miscellaneous expenses	0.31	2.76	1.30	0.19	0.02
Depreciation	0.15	1.27	0.21	0.02	-
Expenditure incurred during the period	**98.81**	**457.63**	**89.31**	**6.34**	**5.88**
Less : Interest Income	0.06	2.99	5.94	0.05	-
Less : Infirm Power Supply	88.72	101.59	-	-	-
Less : Dividend	0.07	4.48	1.59	-	-
Add : Provision for Income Tax & FBT	0.08	1.16	2.19	0.02	-
Total	**525.63**	**515.59**	**165.86**	**81.89**	**75.58**
Less : Capitalised	**525.63**	**-**	-	-	
Closing Balance	**-**	**515.59**	**165.86**	**81.89**	**75.58**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 7					
INVESTMENTS					
CURRENT INVESTMENTS					
Prinicipal Cash Management Fund -Dividend Option (4,967,235.44 units of Rs.10 per unit)	-	-	49.67	-	-
UTI Liquid cash plan Institutional Plan (18,416.18 units of Rs. 1000 per unit)	-	18.41	-	-	-
SBI Magnum Institutional Income- Savings Plan (2,015,654.39 units of Rs. 10 per unit)	-	20.22	-	-	-
IL& FS Liquid Fund -Dividend Option (2,942,136.90 units of Rs.10 per unit)	-	-	29.42	-	-
Total	**-**	**38.63**	**79.09**	**-**	**-**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 8					
INVENTORIES					
Consumables	0.52	-	-	-	-
LTSA Spares					
Operational spares	60.30	-	-	-	-
Capital spares	116.71				
Less : Amortised	5.74				
	110.97	-	-	-	-
Non LTSA Spares	44.60	-	-	-	-
Total	**216.39**	**-**	**-**	**-**	**-**

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 9					
SUNDRY DEBTORS					
Unsecured					
Considered good					
Outstanding for a period exceeding six months	5.81	-	-	-	
Other debts*	72.19	101.59	-	-	-
Total	**78.00**	**101.59**	**-**	**-**	**-**

** Includes unbilled revenue - Rs. 69.16 millions - 2006 (2005, 2004, 2003 & 2002 - Nil).*

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 10					
CASH AND BANK BALANCES					
Cash on hand	-	0.12	0.23	0.16	-
Balances with Scheduled Banks					
On Current Accounts	17.06	23.34	56.60	2.37	-
On Deposit Accounts *	309.03	9.08	16.83	3.10	-
Total	**326.09**	**32.54**	**73.66**	**5.63**	**-**

* *Includes Margin Money Deposits Rs. 5.40 million (Rs. 7.56 million - 2005 and Rs. 12.72 million – 2004, Nil-2003 , Nil-2002) towards bank guarantees and letters of credit given by bankers on behalf of the Company.*

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 11					
LOANS AND ADVANCES (Unsecured and Considered Good)					
Advances recoverable in cash or in kind or for value to be received	17.37	11.74	17.04	34.66	-
Deposits - With Government authorities	5.09	21.39	38.98	33.55	-
With Others	0.69	0.69	0.27	0.15	-
Advance Tax (Net of provision)	3.86	-	-	-	-
Total	**27.01**	**33.82**	**56.29**	**68.36**	**-**

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 12					
OTHER CURRENT ASSETS (Unsecured and considered good)					
Interest on Deposits	2.23	0.33	2.51	0.06	-
Total	**2.23**	**0.33**	**2.51**	**0.06**	**-**

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 13					
CURRENT LIABILITIES AND PROVISIONS					
(a) Liabilities					
Sundry Creditors					
Dues to Small Scale Industrial Undertakings	-	-	-	-	-
Dues to other than Small Scale Industrial Undertakings	12.20	36.06	26.44	120.83	98.15
Other Liabilities	42.77	1.08	2.69	0.54	-
Interest accrued but not due	15.65	14.83	4.29	-	-
Sub Total	**70.62**	**51.97**	**33.42**	**121.37**	**98.15**
(b) Provisions					
Provisions for Employee Benefits	4.11	-	-	-	-
Provision for Operation and Maintenance	16.51	-	-	-	-
Provision for Taxation (Net of Advance Tax)	-	3.36	2.21	0.02	-
Sub Total	**20.62**	**3.36**	**2.21**	**0.02**	**-**
Total	**91.24**	**55.33**	**35.63**	**121.39**	**98.15**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

(Amount in Millions of Rupees)

Particulars	As at March 31, 2006	As at June 30, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
SCHEDULE 14					
MISCELLANEOUS EXPENDITURE					
(To the extent not written off)					
Preliminary Expenses	0.03	0.03	0.03	0.03	0.03
Share Registration Expenses	6.80	6.80	4.05	-	-
Debenture Registration Expenses	0.32	0.32	0.32	-	-
	7.15	**7.15**	**4.40**	**0.03**	**0.03**
Less : Written off in Current Year	7.15				
Total	**-**	**7.15**	**4.40**	**0.03**	**0.03**

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Amount in Millions of Rupees)

Particulars	August 11, 2005 to March 31, 2006
SCHEDULE 15	
OTHER INCOME	
Interest on Loan, Deposits and Bonds (Gross)	4.33
(Tax deducted at source Rs. 0.2 Million)	
Total	**4.33**

Particulars	August 11, 2005 to March 31, 2006
SCHEDULE 16	
GENERATION EXPENSES	
Fuel and Lubricants	446.98
Stores and Spares consumption	42.25
Operations and Maintenance	15.27
Repairs and Maintenance	
Plant and Machinery	0.89
Factory Buildings	0.32
Others	0.29
Salaries, allowances and benefits to employees	16.33
Contribution to Provident and Other Funds	0.78
Staff Welfare	1.21
Rent	0.11
Rates and Taxes	0.05
Electricity Charges	0.03
Consultancy and Other Professional Charges	1.14
Trave Lling and Conveyance	1.66
Communication Expenses	0.52
Security expenses	1.16
Miscellaneous expenses	0.58
Total	**529.57**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(Amount in Millions of Rupees)

Particulars	August 11, 2005 to March 31, 2006
SCHEDULE 17	
ADMINISTRATIVE AND OTHER EXPENSES	
Salaries, allowances and benefits to employees	8.43
Contribution to Provident and Other Funds	0.60
Staff Welfare	0.25
Rent	0.77
Rates and Taxes	0.05
Insurance	20.54
Director's Sitting fees	
Repairs and Maintenance	
Others	0.41
Electricity Charges	0.14
Consultancy and Other Professional Charges	5.30
Remuneration to Auditors	
Audit Fees	0.14
Tax Audit Fees	0.06
Certification	0.03
Out of Pocket Expenses	
Trave Lling and Conveyance	1.14
Communication Expenses	1.09
Donations	1.00
Security expenses	0.02
Miscellaneous expenses	0.34
Miscellaneous expenditure written off	7.15
Total	**47.46**

Particulars	August 11, 2005 to March 31, 2006
SCHEDULE 18	
INTEREST AND FINANCE CHARGES	
Interest on Fixed Loans	159.89
Interest on Working Capital	5.17
Bank / Other Finance Charges	6.00
Total	**171.06**

SCHEDULE 19 - SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

I. Significant Accounting Policies

Accounting Assumptions:

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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.

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. Cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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" except interest paid for procurement of spare parts during construction period, which are charged off to Profit and Loss Account, after commencement of commercial operations.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

Preoperative Expenditure Pending Capitalisation

Expenses incurred towards execution of the power project during the construction period are classified as Preoperative Expenditure Pending Capitalisation. These have been suitably allocated to the appropriate asset heads on the completion of the project.

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

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.

Foreign Currency Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Current Assets and Current Liabilities are translated at the exchange rate prevailing on the Balance Sheet date and the resultant gain / loss is recognized in the Financial Statements.

Exchange fluctuation arising on repayment and reinstatement of outstanding foreign currency loans 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 contracts, the difference between the forward exchange rate and the exchange rate at the inception of the contract is recognized as income or expense over the life of the contract.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise profit after taxation. The number of shares used in computing Basic Earnings per Share is the weighed average number of shares outstanding during the year.

II. NOTES TO THE ACCOUNTS

1. The Company has commenced its commercial operations on August 11, 2005. Accordingly the Profit and Loss account has been prepared for the first time for the period starting from August 11, 2005 to March 31, 2006.

2. Contingent Liabilities

Particulars	2006	2005	2004	2003	2002
Bank Guarantees Outstanding	26.55	75.45	127.20	100.65	-
Letter of Credit Outstanding	113.44	180.64	207.83	-	-

3. Capital Commitments:

Particulars	2006	2005	2004	2003	2002
Estimated Amount of Contracts Remaining To Be Executed on Capital Accounts, Not Provided for (Net of Advances)	-	48.80	1,611.99	0.74	-

4. Consequent on the realignment of the value of foreign currency loans and Buyers Credit, the rupee liability of the company in respect of such loans has increased by an amount of Rs. 2.90 million (2005) as against a decrease of Rs. 41.51 million in the year 2004. This increase which has been considered in the Statement of Pre-operative Expenditure have been finally be adjusted in the cost of the fixed assets at the time of capitalization of the project costs.

5. The company's operations related to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been considered.

6. Related Party Transactions

a) Names of Related Parties and description of the Relationship:

(i)	Enterprises having significant influence	Lanco Infratech Limited, Lanco Group Limited, Lanco Global Systems Limited, Genting Power (India) Limited Century Investments Limited
(ii)	Key Management Personnel	P. Panduranga Rao

b) Summary

(Rupees in Million)

Particulars	Enterprises having significant influence	Key Management Personnel	Balance Outstanding
Rent (2005-06)	0.78	-	-
(2004-05)	1.30	-	-
(2003-04)	1.38	-	-
(2002-03)	0.44	-	-
(2001-02)	-	-	-
Management Fees (2005-06)	5.05	-	-
(2004-05)	-	-	-
(2003-04)	0.4	-	-
(2002-03)	-	-	-
(2001-02)	-	-	-
Remuneration (2005-06)	-	3.47	-
(2004-05)	-	2.83	-
(2003-04)	-	-	-
(2002-03)	-	-	-
(2001-02)	-	-	-

7. **Earnings Per Share**

Calculation of EPS – (Basic & Diluted)

Particulars	2006	2005	2004	2003	2002
Nominal Value of Equity Shares (Rs. Per share)	10	10	10	10	10
Profit after Taxation (Rs.)	33.54	-	-	-	-
Total Number of Equity Shares outstanding at the end of the year	131.82	131.82	726.98	0.50	0.00
EPS – Basic & Diluted (Rs.)	0.25	-	-	-	-

Since the company did not have any dilutive securities, the basic and diluted earnings per share are the same.

8. As all the timing differences as at March 31, 2006 are originating and reversing during the tax holiday period of the Company under the provisions of section 80-IA of the Income Tax Act, 1961 no deferred tax has been recognised.

9. **Managerial Remuneration included in Schedule 17 to the Profit and Loss account.**

Particulars	2006	2005	2004	2003	2002
Salaries	3.47	2.83	-	-	-
Perquisites	-	-	-	-	-
Directors' Sitting Fees	-	-	-	-	-
Total		**3.47**	**2.83**	-	-

-

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
June 16, 2006

For and on behalf of the Board of Directors

Whole Time Director **Director**

General Manager (Finance)
& Company Secretary
Hyderabad
June 14, 2006

AUDITORS' REPORT

THE BOARD OF DIRECTORS
LANCO INFRATECH LIMITED
141, Lanco House, Avenue # 8,
Banjara Hills,
Hyderabad

Dear Sirs,

We have audited the attached Balance Sheet of Aban Power Company Limited ('the Company'), as at June 30, 2006 and June 30, 2005 and the relative Profit and Loss Account for the quarters ended on those dates annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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 and report that:

i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of the audit;

ii. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

iii. In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India;

iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:

    a) in the case of the Balance Sheet, of the state of the affairs of the Company as at June 30, 2006 and June 30, 2005,

    b) in the case of the Profit and Loss Account, of the profit for the quarter ended on June 30, 2005 and

    c) In the case of Cash Flow Statement, of the cash flows for the quarters ended on June 30, 2006 and June 30, 2005.

P. Rama Krishna
Partner
Membership No. 22795
For and on behalf of

Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: July 24, 2006

ABAN POWER COMPANY LIMITED

Balance Sheet as at June 30,

(Rupees in Millions)

	PARTICULARS	Schedule	2006		2005	
I	**SOURCES OF FUNDS**					
	(1) Shareholders' Funds					
	(a) Capital	1		1,318.20		1,318.20
	(b) Reserves and surplus	2		42.20		-
	(2) Loan Funds					
	Secured Loans	3		2,987.38		3,023.08
	TOTAL			**4,347.78**		**4,341.28**
II	**APPLICATION OF FUNDS**					
	(1) Fixed Assets	4				
	(a) Gross block		4,106.72		21.80	
	(b) Less : Depreciation		279.77		1.49	
	(c) Net Block			3,826.95		20.31
	(d) Capital - Work in Progress			10.20		3,646.65
	(e) Pre-operative Expenditure pending capitalisation			-		515.59
	(2) Investments	5		-		38.63
	(3) Current Assets, Loans and Advances					
	(a) Inventories	6	213.54		-	
	(b) Sundry Debtors	7	72.13		101.59	
	(c) Cash and Bank Balances	8	291.30		32.54	
	(d) Loans and advances	9	25.76		31.22	
	(e) Other Current Assets	10	8.03		0.33	
			610.76		**165.68**	
	Less : Current Liabilities and Provisions					
	(a) Liabilities	11	63.31		51.97	
	(b) Provisions		36.82		0.76	
			100.13		**52.73**	
				510.63		112.95
	(4) Miscellaneous Expenditure (to the extent not written off or adjusted)	12		-		7.15
	TOTAL			**4,347.78**		**4,341.28**
	Significant Accounting Policies and Notes to the Accounts	17				

The Schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

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

Hyderabad
July 24, 2006

For and on behalf of the Board of Directors

Whole Time Director **Director**

General Manager
(Finance) & Company Secretary
Hyderabad
July 24, 2006

LANCO
INSPIRING GROWTH

ABAN POWER COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED 30TH JUNE,

(Rupees in Millions)

Sl. No.	PARTICULARS	Schedule Reference	2006
I	**INCOME**		
	Sale of Electrical energy		378.82
	Less : Rebate		9.52
			369.30
	Other Income	13	6.09
	TOTAL		**375.39**
II	**EXPENDITURE**		
	Generation expenses	14	191.81
	Administration and other expenses	15	23.43
	Interest and Finance charges	16	70.67
	Depreciation		79.59
	TOTAL		**365.50**
III	**Profit Before Taxation**		9.89
	Provision for Taxation		
	Current		1.13
	Fringe Benefit Tax		0.10
IV	**Profit After Taxation**		**8.66**
V	**Profit Available for Appropriations**		8.66
VI	**Balance Carried to Balance Sheet**		8.66
	Basic and Diluted Earnings per Share		0.07
VII	**Significant Accounting Policies and Notes to the Accounts**	17	

The Schedules 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

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

Hyderabad
July 24, 2006

For and on behalf of the Board of Directors

Whole Time Director **Director**

General Manager (Finance)
& Company Secretary
Hyderabad
July 24, 2006

ABAN POWER COMPANY LIMITED

CASH FLOW STATEMENT FOR THE QUARTER ENDED JUNE 30,

(Rupees in Millions)

		2006	2005
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	9.89	-
	Adjustment for:		
	Depreciation	79.59	-
	Operating Profit Before Working Capital changes	89.48	-
	(Increase) / Decrease in Trade and Other Receivables	5.87	(97.98)
	(Increase) / Decrease in Inventories	2.85	-
	Increase / (Decrease) in Trade Payables	8.89	(179.04)
	(Increase) / Decrease in Other current asset	(5.80)	-
	Increase / Decrease in Loans and Advances	5.97	-
	Cash Flow from Operations	**107.26**	**(277.02)**
	Income tax paid	(5.95)	-
	Net Cash Flow from Operating Activities	**101.31**	**(277.02)**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	(Purchase)/ Sale of Assets - Net	(36.90)	(44.58)
	(Purchase)/ Sale of Investements - Net		191.09
	Net Cash Flow from Investing activities	**(36.90)**	**146.51**
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	(Repayment)/Proceeds from Long Term Borrowings	(59.58)	100.41
	(Repayment)/Proceeds from Short Term Borrowings	(39.62)	-
	Net Cash Flow used in Financing Activities	**(99.20)**	**100.41**
	NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	(34.79)	(30.10)
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	326.09	62.64
	CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	**291.30**	**32.54**

Notes:

1. *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*
2. *Cash and Cash Equivalents include margin money deposit amounting to Rs. 4.03 Millions (2005-Rs. 7.56 millions)*
3. *Previous quarter figures have been regrouped and reclassified to conform to those of the current quarter.*

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET AS ON JUNE 30,

(Rupees in Millions)

Particulars	2006	2005
SCHEDULE 1		
Capital		
Authorised	1,350.00	1,350.00
135,000,000 Equity shares of Rs. 10 each		
Issued, Subscribed and Paid up	1,318.20	1,318.20
131,820,000 Equity shares of Rs. 10 each [672,48,768 (154,71,309) shares are held by Lanco Infratech Limited the holding company]		
TOTAL	**1,318.20**	**1,318.20**
SCHEDULE 2		
Reserves and surplus		
Opening Balance in Profit and Loss Account	33.54	-
Balance in Profit and Loss Account	8.66	-
TOTAL	**42.20**	**-**
SCHEDULE 3		
Secured Loans		
Term Loans		
a) Rupee Loans		
From Banks	1,813.05	1,973.62
From Financial Institutions	92.50	100.00
Other Rupee Loans	0.32	0.98
b) Foreign Currency Loans		
From Banks	85.25	88.59
From Financial Institutions	822.95	839.89
c) Cash credit and Working Capital Demand Loans from Banks	173.31	20.00
TOTAL	**2,987.38**	**3,023.08**

Notes:

1. *Long Term Rupee Loans, Foreign Currency Loans, Cash Credit and Working Capital Demand Loan are secured by first pari passu mortgage and charge on the immovable and movable properties, both present and future, in favour of the lenders.*
2. *Long term Rupee Loans, Foreign Currency Loans, Cash Credit and Working Capital Demand Loans are guaranteed by some of the Directors of the Company and others.*
3. *Other Rupee Loans represent loans availed for purchase of motor vehicles which have been hypothecated as security for the said loans.*
4. *Overdrafts are taken against pledge of Fixed Deposits of the company.*

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 4

(Rupees in Millions)

Fixed Assets	Gross Block				Depreciation			Net Block	
	As at March 31, 2006	Additions	Deletions	As at June 30, 2006	As at March 31, 2006	For the Quarter	As at June 30, 2006	As at June 30, 2006	As at June 30, 2005
Land and Site development	10.12	0.72	-	10.84	-	-	-	10.84	10.12
Buildings	475.08	-	-	475.08	10.09	3.96	14.05	461.03	-
Plant and Machinery*	3,580.85	24.89	-	3,605.74	187.56	75.13	262.69	3,343.05	0.11
Office Equipment	4.83	2.38	-	7.21	0.91	0.19	1.10	6.11	3.56
Furniture and Fixtures	2.00	0.01	-	2.01	0.58	0.17	0.75	1.26	1.31
Vehicles	5.84	-	-	5.84	1.04	0.14	1.18	4.66	5.21
Total	**4,078.72**	**28.00**	**-**	**4,106.72**	**200.18**	**79.59**	**279.77**	**3,826.95**	**20.31**
Previous Year	14.11	7.69	-	21.80	0.22	1.27	1.49	20.31	
Capital Work In Progress	-	-	-	-	-	-	-	10.20	3,646.65

* Includes Exchange Fluctuation of Rs. 43.18 millions (including Rs. 24.89 millions addition in the current period) upto June 30, 2006 .

SCHEDULES FORMING PART OF BALANCE SHEET AS ON JUNE 30,

(Rupees in Millions)

Particulars	2006	2005
SCHEDULE 5		
INVESTMENTS		
CURRENT INVESTMENTS		
Other than trade - unquoted		
UTI Liquid Cash Plan Institutional Plan (18,416.18 units of Rs. 1000 per unit)	-	18.41
SBI Magnum Institutional Income - Savings Plan (2,015,654.39 units of Rs.10 per unit)	-	20.22
(Aggregate Market Value as at June 30, 2006 Rs. 38.63 Millions)		
(Purchased/sold during the Quarter - NIL)		
Total	**-**	**38.63**
SCHEDULE 6		
Inventories		
Consumables, Stores and Spares	213.54	-
TOTAL	**213.54**	**-**
SCHEDULE 7		
Sundry Debtors		
(Unsecured and considered good)		
Over six months old	5.81	-
Others	66.32	101.59
TOTAL	**72.13**	**101.59**
SCHEDULE 8		
Cash and Bank Balances		
Cash on hand	0.05	0.12
Balances with Scheduled Banks		
- On Current Account	2.22	23.34
- On Deposit Account	289.03	9.08
TOTAL	**291.30**	**32.54**

(Rupees in Millions)

Particulars	2006	2005
SCHEDULE 9		
Loans and Advances (Unsecured and Considered Good)		
Advances recoverable in cash or in kind or for value to be received	11.38	9.14
Deposits		
- With Government authorities	5.09	21.39
- With Others	0.71	0.69
Advance Tax (Net of provision)	8.58	-
TOTAL	**25.76**	**31.22**
SCHEDULE 10		
Other Current Assets (Unsecured and Considered good)		
Interest accrued on Deposits	8.03	0.33
TOTAL	**8.03**	**0.33**
SCHEDULE 11		
Current Liabilities and Provisions		
(a) Liabilities		
Sundry Creditors		
Dues to Small Scale Industrial Undertakings	-	-
Dues to other than Small Scale Industrial Undertakings	45.86	36.06
Other Liabilities	1.86	1.08
Interest accrued but not due	15.59	14.83
TOTAL	**63.31**	**51.97**
(b) Provisions		
Provisions for Leave encashment	4.11	-
Provisions for Operations and Maintenance	32.71	-
Provisions for Taxation	-	0.76
TOTAL	**36.82**	**0.76**
SCHEDULE 12		
MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Preliminary Expenses	-	0.03
Share Registration Expenses	-	6.80
Debenture Registration Expenses	-	0.32
	-	**7.15**

ABAN POWER COMPANY LIMITED

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED JUNE 30,

(Rupees in Millions)

Particulars	2006
SCHEDULE 13	
Other Income	
Interest on Bank Deposits	6.09
TOTAL	**6.09**
SCHEDULE 14	
Generation Expenses	
Fuel & Lubricants	167.02
Stores and spares consumption	22.22
Repairs and Maintenance	
- Plant and Machinery	1.63
- Factory Buildings	0.09
- Others	0.08
Other Expenses	0.77
TOTAL	**191.81**
SCHEDULE 15	
Administrative and Other Expenses	
Salaries, allowances and benefits to employees	6.51
Contribution to Provident and Other Funds	0.52
Staff Welfare	0.58
Rent	0.35
Rates and Taxes	0.12
Insurance	8.15
Repairs and Maintenance	
Others	0.09
Electricity Charges	0.11
Consultancy and Other Professional Charges	2.69
Remuneration to Auditors	
Audit Fees	0.08
Travelling and Conveyance	3.03
Communication Expenses	0.41
Security expenses	0.41
Miscellaneous expenses	0.38
TOTAL	**23.43**
SCHEDULE 16	
Interest and Finance Charges	
Interest on Fixed Loans	60.09
Interest on Working Capital Loan	5.44
Bank/ Other Finance Charges	5.14
TOTAL	**70.67**

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. Significant Accounting Policies

Accounting Assumptions

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement (PPA). Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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.

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. Cost of software is charged to Profit and Loss Account in the year in which it is put into use.

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" except interest paid for procurement of spare parts during construction period, which are charged off to Profit and Loss Account, after commencement of commercial operations.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

Preoperative Expenditure Pending Capitalisation

Expenses incurred towards execution of the power project during the construction period are classified as Preoperative Expenditure Pending Capitalisation. These have been suitably allocated to the appropriate asset heads on the completion of the project.

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

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.

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 Financial Statements.

Exchange fluctuation arising on repayment and reinstatement of outstanding foreign currency loans 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 contracts, the difference between the forward exchange rate and the exchange rate at the inception of the contract is recognized as income or expense over the life of the contract.

Retirement Benefits

Retirement benefits are accounted for on accrual basis, with contributions to Provident Fund charged to the profit and loss account each year. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise profit after taxation. The number of shares used in computing Basic Earnings per Share is the weighed average number of shares outstanding during the year.

II. Notes to Accounts

1) Contingent Liabilities

(Rupees in millions)

PARTICULARS	June 30, 2005	June 30, 2006
Bank Guarantees Outstanding	26.55	75.45
Letter of Credit Outstanding	99.80	180.64

2) Estimated amount of contracts remaining to be executed on capital account (net of advances): Rs. NIL (June 30, 2005-NIL).

3) Sundry Debtors include an amount of Rs.5.81 millions receivable from Tamil Nadu Electricity Board (TNEB) against the Supply of electricity prior to commencement of commercial operations, pending final acceptance of the same. However management is of the view that the same will be recovered as per the terms of the PPA.

4) The company's operations related to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been given.

5) Related Party Transactions

a. Names of Related Parties and description of the Relationship:

(i)	Enterprises where significant influence exists	Lanco Infratech Limited, Lanco Group Limited, Lanco Global Systems Limited
(ii)	Enterprises having significant influence	Genting Power (I) Limited Century Investments Limited
(iii)	Key Management Personnel	P. Panduranga Rao

b. Summary of Transactions

(Rupees in millions)

Nature of Transaction	Enterprises having significant influence	Key Management Personnel	Balance Payable / (Receivable)
Rent	0.26 (0.26)	-	-
Management Fees	19.96 (-)	-	19.96 (-)
Remuneration	-	0.75 (0. 45)	-

6) Earnings Per Share

Calculation of EPS – (Basic & Diluted)

Particulars	Quarter ended June 30,2006
Nominal Value of Equity Shares (Rs. Per share)	10
Profit after Taxation (Rupees in millions)	8.86
Total Number of Equity Shares outstanding at the end of the year	131,820,000
EPS – Basic & Diluted (Rs.)	0.07

Since the company did not have any dilutive securities, the basic and diluted earnings per share are the same.

7) Managerial Remuneration included in Schedule 13

(Rupees in millions)

Particulars	Quarter ended June 30, 2006
Salaries	0.75
Perquisites	Nil
Directors' Sitting Fees	Nil

8) 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 paid during the year is adjusted against the provision.

(Rupees in millions)

Particulars	As at 01-04-2006	Provision made during the quarter	Amount used during the quarter	As at 30-06-2006
Provision for operations and maintenance	16.49	16.21	-	32.70

Auditors' Report

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

Dear Sirs,

We have audited the attached Balance Sheet of Lanco Kondapalli Power Private Limited, as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 and the related Profit and Loss Account and Cash Flow Statement for the years ended on those dates annexed there to, which we have signed under reference to this report. These financial statements are the responsibility of the management of Lanco Kondapalli Power Private Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion and report that:

i. 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;

ii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iii. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards issued by the Institute of Chartered Accountants of India;

iv. 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 a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002

   b) in the case of the Profit and Loss Account, of the profit for the years ended on those dates; and

   c) in the case of the Cash Flow Statement, of the cash flows for the years ended on those dates.

P. Rama Krishna
Partner
Membership Number: 22795
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: June 16, 2006

APPENDIX V

LANCO KONDAPALLI POWER PRIVATE LIMITED

BALANCE SHEET

(Rupees in Millions)

		Sch Ref	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
I	**SOURCES OF FUNDS**						
	(1) Shareholders' Funds						
	(a) Capital	1	3,400.01	3,400.01	3,400.01	3,400.01	3,400.01
	(b) Reserves and Surplus	2	583.26	445.86	291.37	305.18	446.83
	(2) Loan Funds						
	Secured Loans	3	4,753.20	5,438.21	6,375.27	7,612.31	8,274.67
	(3) Deferred Tax Liability		-	-	87.24		
	TOTAL		**8,736.47**	**9,284.07**	**10,153.89**	**11,317.50**	**12,121.51**
II	**APPLICATION OF FUNDS**						
	(1) Fixed Assets	4					
	(a) Gross Block		11,183.49	11,116.59	11,089.45	11,434.63	11,424.51
	(b) Less: Depreciation		4,599.28	3,771.23	2,928.05	2,063.58	1,188.34
	(c) Net Block		6,584.21	7,345.36	8,161.40	9,371.05	10,236.18
	(d) Capital Work in Progress		-	-	-	-	113.21
	(e) Capital Advances		2.78	-	-	-	-
			6,586.99	7,345.36	8,161.40	9,371.05	10,349.39
	(2) Investments	5	-	-	-	-	1,020.00
	(3) Current Assets, Loans and Advances						
	(a) Inventories	6	519.75	523.21	509.34	529.09	459.97
	(b) Sundry Debtors	7	797.71	323.94	328.61	318.04	847.18
	(c) Cash and Bank Balances	8	1,165.11	983.78	1,262.39	1,374.52	466.68
	(d) Other Current Assets	9	2.75	2.37	10.14	6.74	27.07
	(e) Loans and Advances	10	380.57	437.69	599.73	187.20	112.60
			2,865.89	**2,270.99**	**2,710.21**	**2,415.59**	**1,913.50**
	Less: Current Liabilities and Provisions	11					
	(a) Liabilities		323.81	327.52	406.52	409.72	780.03
	(b) Provisions		392.60	4.76	311.20	59.42	381.35
			716.41	332.28	717.72	469.14	1,161.38
	Net Current Assets		2,149.48	1,938.71	1,992.49	1,946.45	752.12
	TOTAL		**8,736.47**	**9,284.07**	**10,153.89**	**11,317.50**	**12,121.51**
	Significant Accounting Policies and Notes to the Accounts	16					

The Schedules 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 of Directors

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
June 16, 2006

D. Krishna Rao
Company Secretary
Hyderabad
June 14, 2006

LANCO
INSPIRING GROWTH

LANCO KONDAPALLI POWER PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT

(Rupees in Million)

		Sch Ref	For the year ended March 31, 2006	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002
I	**Income**						
	Sale of Electrical Energy		5,688.45	5,740.45	5,669.94	5,736.13	5,975.87
	Less: Rebate		130.30	143.48	141.76	93.40	4.81
			5,558.15	5,596.97	5,528.18	5,642.73	5,971.06
	Other Income	12	92.33	84.19	97.08	149.06	35.48
	TOTAL		**5,650.48**	**5,681.16**	**5,625.26**	**5,791.79**	**6,006.54**
II	**Expenditure**						
	Generation Expenses	13	3,052.72	2,995.28	2,984.15	2,976.85	3,156.52
	Administrative and Other Expenses	14	153.47	170.77	209.02	185.37	132.86
	Interest and Finance Charges	15	445.51	597.17	822.50	985.19	1,047.20
	Depreciation		832.03	843.17	865.89	875.48	835.27
	TOTAL		**4,483.73**	**4,606.39**	**4,881.56**	**5,022.89**	**5,171.85**
III	**Profit Before Taxation**		**1,166.75**	**1,074.77**	**743.70**	**768.90**	**834.69**
	Provision for Taxation						
	Current		98.18	84.89	56.57	60.55	62.38
	Deferred		-	(87.24)	87.24		
	Fringe Benefit Tax		0.72	-			
IV	**Profit After Taxation**		**1,067.85**	**1,077.12**	**599.89**	**708.35**	**772.31**
	Balance in Profit and Loss Account brought forward		106.82	42.06	82.87	**261.53**	**-**
V	**Profit Available for Appropriations**		**1,174.67**	**1,119.18**	**682.76**	**969.88**	**772.31**
	Transferred (from) / to Debenture Redemption Reserve		(17.99)	(17.99)	(17.99)	(33.82)	151.47
	Transferred to General Reserve		106.79	107.71	44.99	70.83	19.31
	Interim Dividend		476.00	816.00	544.00	850.00	-
	Tax on Dividend		66.76	106.64	69.70	-	-
	Proposed Dividend		340.00	-	-	-	340.00
	Tax on Proposed Dividend		47.68	-	-	-	-
VI	**Balance Carried to Balance Sheet**		**155.43**	**106.82**	**42.06**	**82.87**	**261.53**
	Basic and Diluted Earnings Per Share		**3.14**	**3.17**	**1.76**	**2.08**	**2.27**
	Significant Accounting Policies and Notes to the Accounts	16					

The Schedules 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 of Directors

P. Rama Krishna
Partner

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
June 16, 2006

D. Krishna Rao
Company Secretary

Hyderabad
June 14, 2006

LANCO KONDAPALLI POWER PRIVATE LIMITED

CASH FLOW STATEMENT

(Rupees in Millions)

		As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit Before Taxation	1,166.75	1,074.77	743.70	768.90	834.69
	Adjustments for:					
	Depreciation	832.03	843.17	865.89	875.48	835.27
	Profit on Sale of Current Investments	(2.02)	(7.98)	(18.45)	(101.37)	(0.01)
	(Profit) / Loss on Sale of Asset (Net)	(0.37)	-	(0.17)	-	0.01
	Asset Discarded (Net)	-	-	3.56	0.01	-
	Interest Income	(89.59)	(66.75)	(72.33)	(46.21)	(34.82)
	Dividend Income	-	-	-	(0.64)	(0.62)
	Interest Expense	426.94	506.37	743.94	891.76	936.49
	Cash Generated From Operations Before Working Capital Changes	**2,333.74**	**2,349.58**	**2,266.14**	**2,387.93**	**2,571.01**
	(Increase)/Decrease in Trade & Other Receivables	(430.48)	165.09	(465.76)	456.49	719.14
	(Increase)/Decrease in Inventories	3.46	(13.87)	19.75	(69.12)	105.48
	Increase/(Decrease) in Trade Payables	7.44	(54.16)	21.51	(315.90)	(1,090.16)
	Cash Flow From Operations	**1,914.16**	**2,446.64**	**1,841.64**	**2,459.40**	**2,305.47**
	Income Taxes Paid	(87.85)	(82.30)	(71.25)	(62.50)	(64.56)
	Net Cash Flow from Operating Activities	**1,826.31**	**2,364.34**	**1,770.39**	**2,396.90**	**2,240.91**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Addition/Purchase of Fixed Assets (net of exchange fluctuation)	(1.44)	(4.06)	149.96	(9.71)	(282.51)
	Proceeds from sale of Fixed Assets	1.70	-	0.66	0.08	0.01
	Purchase of Investments	(1,958.50)	(4,165.10)	(8,734.28)	(9,877.62)	(1,363.00)
	Proceeds from Sale of Investments	1,960.51	4,173.08	8,752.73	10,998.97	343.01
	Interest Income Received	89.21	73.53	68.93	66.55	8.59
	Dividend received	-	-	-	0.64	0.62
	Net Cash Flow from Investing Activities	**91.48**	**77.45**	**238.00**	**1,178.91**	**(1,293.28)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from Long-term Borrowings	-	-	2,611.83	435.55	434.27
	Repayment of Long-term Borrowings	(879.35)	(884.21)	(3,668.00)	(1,076.40)	(16.47)
	Proceeds from Short-term Borrowings (net)	123.57	(75.92)	8.87	89.81	(529.49)
	Dividend Paid (including Distribution tax)	(542.76)	(1,229.49)	(306.85)	(1,190.00)	-
	Interest Paid	(437.92)	(530.78)	(766.38)	(926.93)	(881.63)
	Net Cash Flow Used in Financing Activities	**(1,736.46)**	**(2,720.40)**	**(2,120.53)**	**(2,667.97)**	**(993.32)**
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	181.33	(278.61)	(112.14)	907.84	(45.69)
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	983.78	1,262.39	1,374.53	466.68	512.37
	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,165.11	983.78	1,262.39	1,374.52	466.68

Notes:

1. 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.
2. Previous year's figures have been regrouped and reclassified to conform to those of the current year.

3. Cash and Cash Equivalents include margin money deposits amounting to Rs. 18.27 millions (2005 - Rs. 28.70 millions, 2004 - Rs. 60.64 millions, 2003 - Rs. 58.50 millions, 2002 - Rs.106.76 millions)

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
June 16, 2006

D. Krishna Rao
Company Secretary

Hyderabad
June 14, 2006

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Millions)

Schedule 1	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Capital					
Authorised					
1,500,000,000 Equity Shares of Rs. 10/- each	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Issued, Subscribed and Paid-up					
340,000,700 Equity Shares of Rs.10/- each fully paid up	3,400.01	3,400.01	3,400.01	3,400.01	3,400.01
Total	**3,400.01**	**3,400.01**	**3,400.01**	**3,400.01**	**3,400.01**
Schedule 2					
Reserves and Surplus					
General Reserve					
General Reserve as at 1st April	242.85	135.13	90.14	19.31	-
Transferred from Profit and Loss Account	106.79	107.71	44.99	70.83	19.31
General Reserve as at 31st March	349.63	242.85	135.13	90.14	19.31
Debenture Redemption Reserve					
Debenture Redemption Reserve as at 1st April	96.19	114.18	132.17	165.99	14.52
Transferred to Profit and Loss Account	(17.99)	(17.99)	(17.99)	(33.82)	151.47
Debenture Redemption Reserve as at 31st March	78.20	96.19	114.18	132.17	165.99
Balance in Profit and Loss Account	155.43	106.82	42.06	82.87	261.53
Total	**583.26**	**445.86**	**291.37**	**305.18**	**446.83**
Schedule 3					
Secured Loans					
Debentures					
a) 3,750,000 Secured Redeemable Non-Convertible Debentures of Rs.100/- each	187.50	231.62	275.73	319.85	363.97
[Bearing interest at the rate of 3.5% per annum over and above the prime lending rate (12.5% per annum 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 17/34 value, Debentures amounting to Rs.187,501,500 redeemed till date.]					
b) 35 Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000/- each	125.29	153.14	180.98	208.82	300.00
[Bearing interest at the rate of 14.75% per annum (12% per annum with effect from April 15, 2003). The debentures are redeemable at par in 34 quarterly equal installments commencing on April 15, 2002 (Rescheduled on April 15, 2003 to 30 quarterly equal installments commencing on April 15, 2003). Out of the above value, Debentures amounting to Rs.224,705,600 redeemed till date.]					

(Rupees in Millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
[The 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 pari passu basis with the charges created for securing the 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.]					
Term Loans					
a) Rupee Loans					
From Banks	373.95	457.11	540.27	623.43	295.00
From Financial Institutions	1,162.06	1,420.29	1,678.53	1,936.76	2,265.00
b) Foreign Currency Loans					
From Banks	2,076.49	2,358.10	2,681.13	210.62	244.85
From Financial Institutions	569.67	683.29	808.03	1,023.51	1,182.86
From Others	-	-	-	3,086.15	3,507.89
[Rupee Term Loans, Foreign Currency Term Loans from banks and financial institutions, Guarantees issued by banks for securing the Foreign Currency Term Loans from banks 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					

(Rupees in Millions)

Schedule 3	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
other movables both present and future including book debts ranking pari passu with charges created for securing the working capital requirements. 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.]					
Cash Credits and Working Capital Demand Loan from Banks	258.24	134.66	210.59	201.71	111.90
[Cash Credits and Working Capital Demand Loan from banks are 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.]					
Car Loan from Bank	-	-	-	1.46	3.20
(Secured by way of hypothecation of the car purchased.)					
Total	**4,753.20**	**5,438.21**	**6,375.27**	**7,612.31**	**8,274.67**

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4

(Rupees in Million)

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2005	Additions	Deletions	As at March 31, 2006	As at March 31, 2005	For the year	On Deletions	As at March 31, 2006	As at March 31, 2006	As at March 31, 2005
Land and Site development	193.38	-	-	193.38	-	-	-	-	193.38	193.38
Buildings*	1,039.50	4.24	-	1,043.74	148.68	34.26	-	182.94	860.80	890.82
Plant and Machinery*	9,850.13	66.52	-	9,916.65	3,604.46	792.82	-	4,397.28	5,519.37	6,245.67
Office Equipment	12.42	0.59	0.98	12.03	4.85	1.49	0.44	5.90	6.13	7.57
Furniture and Fixtures	5.66	0.22	0.47	5.41	2.14	0.73	0.23	2.64	2.77	3.53
Leasehold Improvements	1.72	-	-	1.72	1.13	0.19	-	1.32	0.40	0.59
Vehicles	13.78	0.64	3.86	10.56	9.97	2.54	3.31	9.20	1.36	3.81
	11,116.59	**72.21**	**5.31**	**11,183.49**	**3,771.23**	**832.03**	**3.98**	**4,599.28**	**6,584.21**	**7,345.36**
Previous Year	11,089.45	27.13	-	11,116.59	2,928.05	843.17	-	3,771.23	7,345.36	-

** [Include] / Net-of foreign exchange fluctuations Rs.265.04 Million (including [Rs.70.76 Million] addition in the current year) upto March 31, 2006 (upto March 31, 2005 - Rs. 194.28 Million)*

(Rupees in Million)

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2004	Additions	Deletions	As at March 31, 2005	As at March 31, 2004	For the year	On Deletions	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Land and Site development	192.93	0.44	-	193.37	-	-	-	-	193.37	192.93
Buildings*	1,037.61	1.89	-	1,039.50	103.27	45.41	-	148.68	890.82	934.32
Plant and Machinery*	9,828.95	21.18	-	9,850.13	2,812.67	791.78	-	3,604.46	6,245.68	7,016.28
Office Equipment	11.34	1.08	-	12.42	3.38	1.47	-	4.85	7.57	7.96
Furniture and Fixtures	5.51	0.16	-	5.67	1.44	0.69	-	2.14	3.54	4.07
Leasehold Improvements	1.72	-	-	1.72	0.94	0.19	-	1.13	0.59	0.78
Vehicles	11.40	2.38	-	13.78	6.34	3.64	-	9.97	3.80	5.06
	11,089.46	**27.13**	**-**	**11,116.59**	**2,928.04**	**843.17**	**-**	**3,771.23**	**7,345.36**	**8,161.40**
Capital Work in Progress (including capital advances)									-	-
Grand Total	**11,089.46**	**27.13**	**-**	**11,116.59**	**2,928.05**	**843.17**	**-**	**3,771.23**	**7,345.36**	**8,161.40**
Previous Year	11,434.63	8.50	353.69	11,089.45	2,063.60	865.87	1.42	2,928.05	8,161.40	

** [Include] / Net-of foreign exchange fluctuations Rs.194.28 million (including [Rs.23.07 million] addition in the current year) upto March 31, 2005 (upto March 31, 2004 - Rs. 217.35 million)*

Schedule 4 (Condtd...)

(Rupees in Million)

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2003	Additions	Deletions	As at March 31, 2004	As at March 31, 2003	For the year	On Deletions	As at March 31, 2004	As at March 31, 2004	As at March 31, 2003
Land and Site development	192.93	-	-	192.93	-	-	-	-	192.93	192.93
Buildings*	1,062.18	0.89	25.47	1,037.60	71.30	32.00	0.02	103.28	934.32	990.88
Plant and Machinery*	10,154.18	1.11	326.34	9,828.95	1,983.47	829.20	-	2,812.67	7,016.28	8,170.71
Office Equipment	9.96	1.38	-	11.34	2.32	1.06	-	3.38	7.96	7.64
Furniture and Fixtures	4.87	0.64	-	5.51	0.81	0.63	-	1.44	4.07	4.06
Leasehold Improvements	1.72	-	-	1.72	0.76	0.18	-	0.94	0.78	0.96
Vehicles	8.80	4.48	1.88	11.40	4.94	2.80	1.40	6.34	5.06	3.87
	11,434.64	**8.50**	**353.69**	**11,089.45**	**2,063.60**	**865.87**	**1.42**	**2,928.05**	**8,161.40**	**9,371.05**
Capital Work in Progress (including capital advances)										
Grand Total	**11,434.64**	**8.50**	**353.69**	**11,089.45**	**2,063.60**	**865.87**	**1.42**	**2,928.05**	**8,161.40**	**9,371.05**
Previous Year	11,424.51	127.96	117.84	11,434.63	1,188.34	875.48	0.23	2,063.58	9,371.05	

** [Include] / Net-of foreign exchange fluctuations Rs.217.35 million (net of Rs.348.22 million reversal in the current year) upto March 31, 2004 [upto March 31, 2003 Rs.130.87 million]*

(Rupees in Million)

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2002	Additions	Deletions	As at March 31, 2003	As at March 31, 2002	For the year	On Deletions	As at March 31, 2003	As at March 31, 2003	As at March 31, 2002
Land and Site development	192.93	0.00	-	192.93	-	-	-	-	192.93	192.93
Buildings*	971.34	98.20	7.36	1,062.18	40.17	31.13	-	71.30	990.88	931.17
Plant and Machinery*	10,245.47	18.86	110.15	10,154.18	1,143.41	840.06	-	1,983.47	8,170.71	9,102.06
Office Equipment	4.35	5.65	0.04	9.96	1.36	0.97	0.01	2.32	7.64	2.99
Furniture and Fixtures	1.47	3.40	-	4.87	0.40	0.41	-	0.81	4.06	1.06
Leasehold Improvements	1.72	(0.01)	-	1.71	0.57	0.18	-	0.75	0.96	1.14
Vehicles	7.24	1.85	0.29	8.80	2.43	2.72	0.22	4.93	3.87	4.83
	11,424.52	**127.95**	**117.84**	**11,434.63**	**1,188.34**	**875.47**	**0.23**	**2,063.58**	**9,371.05**	**10,236.18**
Capital Work in Progress (including capital advances)									-	113.21
Grand Total	**11,424.52**	**127.95**	**117.84**	**11,434.63**	**1,188.34**	**875.47**	**0.23**	**2,063.58**	**9,371.05**	**10,349.39**
Previous Year	10,768.43	656.12	0.04	11,424.51	353.09	835.26	0.02	1,188.34	10,349.39	

** [Include] / net-of foreign exchange fluctuations upto March 31, 2003 Rs. 130.87 million (upto March 31, 2002 Rs. 248.39 million)*

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4 (Contd....) *(Rupees in Million)*

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2001	Additions	Deletions	As at March 31, 2002	As at March 31, 2001	For the year	On Deletions	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Land and Site development	192.93	-		192.93	-	-		-	192.93	192.93
Buildings*	884.46	86.88		971.34	11.52	28.65		40.17	931.17	872.95
Plant and Machinery*	9,681.53	563.93		10,245.46	339.09	804.31		1,143.40	9,102.06	9,342.44
Office Equipment	3.80	0.59	0.04	4.35	0.89	0.49	0.02	1.36	2.99	2.92
Furniture and Fixtures	0.74	0.73		1.47	0.26	0.15		0.41	1.06	0.48
Leasehold Improvements	1.72	-		1.72	0.39	0.19		0.58	1.14	1.33
Vehicles	3.25	3.99		7.24	0.94	1.48		2.42	4.83	2.31
	10,768.43	**656.12**	**0.04**	**11,424.51**	**353.09**	**835.26**	**0.02**	**1,188.34**	**10,236.18**	**10,415.36**
Capital Work in Progress (including capital advances)									113.21	253.92
Grand Total	**10,768.43**	**656.12**	**0.04**	**11,424.51**	**353.09**	**835.26**	**0.02**	**1,188.34**	**10,349.39**	**10,669.28**
Previous Year	75.40	10,693.04	-	10,768.44	1.26	351.82	-	353.08	10,669.28	

** [Include] / net-of foreign exchange fluctuation capitalized Rs.248.39 million (2001 - Rs. 19.27 million) upto March 31, 2002*

(Rupees in Million)

Schedule 5	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Investments					
Current					
Other than Trade (unquoted) *					**1,020.00**
Total	**-**	**-**	**-**	**-**	**1,020.00**

** Andhra Pradesh Power Finance Corporation Limited - AP Power Series V 2001*

(Rupees in Million)

Schedule 6	**As at March 31, 2006**	**As at March 31, 2005**	**As at March 31, 2004**	**As at March 31, 2003**	**As at March 31, 2002**
Inventories					
Raw Materials – Fuel	194.79	196.82	198.90	230.43	237.31
Consumables, Stores and Spares	324.96	326.39	310.44	298.66	222.66
Total	**519.75**	**523.21**	**509.34**	**529.09**	**459.97**
Schedule 7					
Sundry Debtors					
(Secured and considered good)					
Over six months old	-	-	-	-	-
Other debts*	797.71	323.94	328.61	318.04	847.18
Total	**797.71**	**323.94**	**328.61**	**318.04**	**847.18**

** (Includes unbilled revenue 2006 - 323.32, 2005 - 323.94, 2004 - 328.61, 2003 - 318.04, 2002- 316.92)*

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Million)

Schedule 8	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Cash and Bank Balance					
Cash on hand	0.02	0.01	0.03	0.04	0.02
Cheques on hand	-	-	2.77	-	350.00
Balances with Scheduled Banks					
- on current account	1.39	3.27	0.55	0.27	0.38
- on deposit account	1,145.43	951.80	1,198.40	1,315.71	9.52
- on margin money account	18.27	28.70	60.64	58.50	106.76
Total	**1,165.11**	**983.78**	**1,262.39**	**1,374.52**	**466.68**

The margin money deposits are towards Letters of Credit and Bank Guarantees given by the bankers on behalf of the company

(Rupees in Million)

Schedule 9	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
Other Current Assets (Unsecured and Considered Good)					
Interest Accrued but not due	2.75	2.37	10.14	6.74	27.07
Total	**2.75**	**2.37**	**10.14**	**6.74**	**27.07**
Schedule 10					
Loans and Advances (Unsecured and Considered Good)					
Loan	200.00	200.00	200.00		
Advances recoverable in cash or in kind or for value to be received	17.44	39.24	133.41	178.89	106.25
Deposits - with Government Authorities	3.06	3.06	2.94	2.94	2.93
- with Others	0.02	0.02	0.02	0.01	0.01
Advance for Operations & Maintenance (Net of Provision)	152.67	176.94	243.32	-	-
Advance Tax (Net of Provision)	7.38	18.43	20.04	5.36	3.41
Total	**380.57**	**437.69**	**599.73**	**187.20**	**112.60**
Schedule 11					
Current Liabilities and Provisions					
(a) Liabilities					
Sundry Creditors					
Dues to Small Scale Industrial Undertakings	-	-	-	-	-
Dues to Other than Small Scale Industrial Undertakings	148.24	141.11	191.20	173.38	362.05
	148.24	141.11	191.20	173.38	362.05
Bills Payable	-	-	-	-	149.09
Other Liabilities	118.13	117.97	122.45	121.03	118.40
Interest accrued but not due	57.44	68.44	92.87	115.31	150.49
Total	**323.81**	**327.52**	**406.52**	**409.72**	**780.03**

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Million)

Schedule 11	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002
(b) Provisions					
Provisions for Employee Benefits	4.92	4.76	4.35	2.09	1.58
Provision for Operations & Maintenance (Net of Advance)	-	-	-	57.33	39.77
Provision for Dividend	340.00	-	272.00	-	340.00
Provision for Dividend Tax	47.68	-	34.85	-	-
Total	**392.60**	**4.76**	**311.20**	**59.42**	**381.35**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees in Millions)

Schedule 12	For the Year Ended March 31, 2006	For the Year Ended March 31, 2005	For the Year Ended March 31, 2004	For the Year Ended March 31, 2003	For the Year Ended March 31, 2002
Other Income					
Interest on Loan, Deposits and Bonds (Gross)	89.59	65.76	72.33	46.21	34.34
(Tax Deducted at Source - 2006-19.68, 2005-14.98, 2004-13.45, 2003-3.31, 2002-2.00)					
Interest - Others (Gross) (TDS - Nil)	-	-	-	-	0.47
Profit on Sale of Investments	2.02	7.98	18.45	101.36	0.01
Profit/(Loss) on Sale of Assets (Net)	0.37	-	0.17	-	(0.01)
Gain on Exchange/Forward Contracts (Net)	-	9.32	1.93	0.85	0.05
Miscellaneous Income	0.35	1.13	4.20	0.64	0.62
Total	**92.33**	**84.19**	**97.08**	**149.06**	**35.48**
Schedule 13					
Generation Expenses					
Fuel & Lubricants	2,721.69	2,705.79	2,589.43	2,529.03	2,843.96
Operations and Maintenance	309.80	271.09	378.55	412.52	289.12
Other Expenses	14.32	12.79	10.25	31.01	20.72
Repairs and Maintenance					
- Plant and Machinery	6.17	5.11	3.19	2.22	0.50
- Factory Buildings	0.55	-	2.73	2.07	2.22
- Others	0.19	0.50	-	-	-
Total	**3,052.72**	**2,995.28**	**2,984.15**	**2,976.85**	**3,156.52**

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees in Millions)

Schedule 14	For the Year Ended March 31, 2006	For the Year Ended March 31, 2005	For the Year Ended March 31, 2004	For the Year Ended March 31, 2003	For the Year Ended March 31, 2002
Administrative and Other Expenses					
Salaries, allowances and benefits to employees	26.63	24.82	21.73	19.21	14.46
Contribution to Provident and Other Funds	0.70	0.75	0.66	0.46	0.39
Staff Welfare	0.56	0.66	0.90	1.53	0.81
Rent	2.67	2.45	2.39	4.84	3.94
Rates and Taxes	1.67	2.32	0.98		
Insurance	84.48	104.53	142.62	120.69	83.98
Directors' Sitting Fees	0.22	0.28	0.22	0.25	0.21
Repairs and Maintenance					
- Other than Factory Buildings	-	0.74	0.17	0.18	0.17
- Others	1.86	2.14	1.67	2.46	1.54
Electricity Charges	1.30	1.30	1.18	1.33	1.07
Consultancy and Other Professional Charges	6.93	5.75	6.33	4.10	6.10
Remuneration to Auditors					
- Audit Fees	0.50	0.50	0.38	0.38	0.26
- Tax Audit Fees	0.08	0.08	0.11	0.11	0.11
- Certification	0.35	0.21	0.14	0.16	0.26
- Out of Pocket Expenses	0.01	0.01	0.01	0.01	0.03
Exchange Fluctuation (Net)	0.08	-	-	-	-
Asset discarded (Net)	-	-	3.56	0.01	-
Travelling and Conveyance	5.17	6.18	8.85	10.07	9.26
Communication Expenses	2.40	2.40	2.04	2.19	3.16
Donations	7.28	6.50	6.20	11.05	0.86
Miscellaneous Expenses	10.58	9.15	8.88	6.34	6.25
Total	**153.47**	**170.77**	**209.02**	**185.37**	**132.86**
Schedule 15					
Interest and Finance Charges					
Interest on Debentures	46.51	57.06	-	-	-
Interest on Fixed Loans	363.45	442.71	673.17	806.46	864.05
Interest on Working Capital	16.98	6.59	11.72	11.21	72.44
Guarantee Commission	-	-	59.05	74.09	83.79
Bank/ Other Finance Charges	18.57	90.81	78.56	63.38	26.92
Loss/Commission on sale of investments	-	-	-	30.05	-
Total	**445.51**	**597.17**	**822.50**	**985.19**	**1,047.20**

LANCO KONDAPALLI POWER PRIVATE LIMITED

Schedule 16

Significant Accounting Policies and Notes to the Accounts

I. Significant Accounting Policies

Accounting Assumptions

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to, under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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 minimum payments are accounted as and when due.

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. Cost of software is charged to Profit and Loss Account in the year of purchase.

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".

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs. 5,000, which are fully depreciated in the year of acquisition and Leasehold Improvements which are depreciated over the period of lease. 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 is provided prospectively over the residual useful life of the asset.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the 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 year is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Investments are classified into current investments and long-term investments. Current investment are carried at lower of cost or market value. Long term investment are carried at cost less provision made to recognize any decline, other than temporary in the value of such investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

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.

Foreign Currency Transactions

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

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.

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.

Retirement Benefits

Contribution to defined scheme such as Provident Fund is charged to profit and loss account as incurred on accrual basis. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise profit after taxation. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

II. Notes to the accounts

1. Contingent Liabilities

a) Bank guarantees outstanding:

(Rupees in Million)

2006	2005	2004	2003	2002
187.73	162.73	102.73	-	0.68

b) Demand of Differential Customs Duty relating to Engineering, Procurement and Construction Contract, decided in Company's favour, appealed by the authorities-

(Rupees in Million)

2006	2005	2004	2003	2002
196.40	196.40	196.40	196.40	196.40

In the event of crystallization of the customs claim, the same shall be paid by or recovered from the Contractor.

c) During the year 2003-04 the Customs Authorities have issued an Adjudication Order and raised a demand for Rs.449.55 million inclusive of penalty. On an appeal filed by the company in respect of above demand, CESTAT has set aside the impugned order of the Customs Department and remanded the matter for denovo consideration by the Commissioner of Customs.

d) During the year 2004-05 APTRANSCO (presently APPCC) has raised certain disputes relating to Installed Capacity and 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 settlement of bills by APTRANSCO as in previous years.

e) During the year 2005-06 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 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 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.

2. Estimated amount of contracts remaining to be executed on Capital Account (net of advances)

(Rupees in Millions)

2006	2005	2004	2003	2002
-	-	-	-	3.55 (244.32)

3. The Company's operations relate to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been considered.

4. **Related Party Disclosure:**

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

2001-02

(i)	Enterprises where significant influence exists	Eastern Generation Services India Private Limited and Lanco Infratech Limited
(ii)	Enterprises having significant influence	Hanjung DCM Co. Limited, Doosan Heavy Industries and Construction Co. Limited and Inkor Engineering Private Limited.
(iii)	Key Management Personnel	Mr. Y Harish Chandra Prasad, Managing Director
(iv)	Relative of Key Management Personnel	Mr. Y Sreeramulu

2002-03

(i)	Enterprises where significant influence exists	Eastern Generation Services India Private Limited and Lanco Infratech Limited
(ii)	Enterprises having significant influence	Hanjung DCM Co. Limited, Doosan Heavy Industries and Construction Co. Limited and Inkor Engineering Private Limited.
(iii)	Key Management Personnel	Mr. Y Harish Chandra Prasad, Managing Director
(iv)	Relative of Key Management Personnel	Mr. Y Sreeramulu

2003-04

(i)	Enterprises where significant influence exists	Eastern Generation Services India Private Limited and Lanco Infratech Limited
(ii)	Enterprises having significant influence	Doosan Mecatec Co. Limited, Doosan Heavy Industries and Construction Co Limited, Inkor Engineering Private Limited, Third Millennium Investments Ltd, Globeleq Holdings (Kondapalli) Limited and WEB Energy Limited.
(iii)	Key Management Personnel	Mr. Y Harish Chandra Prasad, Managing Director
(iv)	Relative of Key Management Personnel	Mr. Y Sreeramulu

2004-05

(i)	Enterprises where significant influence exists	Genting Lanco Power (India) Private Limited and Lanco Infratech Limited
(ii)	Enterprises having significant influence	Doosan Mecatec Co. Limited, Doosan Heavy Industries and Construction Co Limited, Inkor Engineering Private Limited, Third Millennium Investments Ltd, Globeleq Holdings (Kondapalli) Ltd and WEB Energy Limited.
(iii)	Key Management Personnel	Mr. Y Harish Chandra Prasad, Managing Director
(iv)	Relative of Key Management Personnel	Mr. Y Sreeramulu

2005-06

(i)	Enterprises where significant influence exists	Genting Lanco Power (India) Private Limited and Lanco Infratech Limited,
(ii)	Enterprises having significant influence	Doosan Mecatec Co. Limited, Doosan Heavy Industries and Construction Co Limited, Inkor Engineering Private Limited, Third Millennium Investments Ltd, Globeleq Holdings (Kondapalli) Ltd and WEB Energy Limited.
(iii)	Key Management Personnel	Mr. Y. Harish Chandra Prasad, former Managing Director ; Mr. P. Panduranga Rao, Director & CEO

b) Summary of transactions with above Related Parties:

2001-02

(Rupees in Millions)

Nature of Transaction	Enterprises where significant influence exists	Enterprises having significant influence	Key Management Personnel	Relative of Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	**62.13**	-	-	-	**10.23**
Engineering, Equipment & Spares Supply and Construction Contract	-	424.41	-	-	317.23
Remuneration	-	-	4.61	-	-
Sitting Fees	-	-	0.21	-	-
Professional services	-	-	-	**0.36**	-

2002-03

(Rupees in Millions)

Nature of Transaction	Enterprises where significant influence exists	Enterprises having significant influence	Key Management Personnel	Relative of Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	77.38	-	-	-	26.70
Engineering, Equipment & Spares Supply and Construction Contract	-	-	-	-	28.59
Remuneration	-	-	4.90	-	0.41
Sitting Fees	-	-	0.25	-	-
Professional Services	-	-		**0.27**	-

2003-04

(Rupees in Millions)

Nature of Transaction	Enterprises where significant influence exists	Enterprises having significant influence	Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	**120.99**	**-**	**-**	**75.84**
Engineering, Equipment & Spares Supply and Construction Contract	**-**	**13.88**	**-**	**0.69**
Loan Given	**200.00**	**-**	**-**	**[200.00]**
Interest on Loan	**10.77**	**-**	**-**	**[2.77]**
Remuneration	**-**	**-**	**5.36**	**1.21**
Dividends Paid	**38.08**	**505.92**	**-**	**-**

2004-05

(Rupees in Millions)

Nature of Transaction	Enterprises where significant influence exists	Enterprises having significant influence	Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	**103.18**	**-**	**-**	**28.50**
Engineering, Equipment & Spares Supply and Construction Contracts	**-**	**-**	**-**	**0.69**
Loan outstanding from an enterprise where significant influence exists	**-**	-	-	**[200.00]**
Interest on Loan	**13.97**	**-**	**-**	**[2.77]**
Remuneration	**-**	**-**	**8.10**	**0.80**
Dividends Paid	**57.12**	**758.88**	**-**	**-**

Key Management Personnel i.e. the Managing Director and an enterprise where significant influence exists have extended personal/corporate guarantees for loans taken by the company.

2005-06

(Rupees in Millions)

Nature of Transaction	Enterprises where significant influence exists	Enterprises having significant influence	Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	**110.28**	**-**	-	**36.51**
Engineering, Equipment & Spares Supply and Construction Contracts	**-**	**-**	**-**	**0.69**
Loan outstanding from an enterprise where significant influence exists	**-**	**-**	**-**	**[200]**
Interest on Loan	**14.00**	**-**	**-**	**-**
Remuneration – Managing Director upto 19-12-2006	**-**	**-**	**8.93**	**1.17**
Remuneration –Director & CEO from 19-12-2006	**-**	-	**0.51**	-
Dividends Paid	**33.32**	**442.68**	**-**	**-**
Sale of Fixed Assets	**-**	**-**	**1.54**	**-**

Key Management Personnel i.e. the former Managing Director and an enterprise where significant influence exists have extended personal/corporate guarantees for loans taken by the company.

5. The Company has entered into certain operating lease agreements and the amounts paid under such agreements have been charged to Profit & Loss Account. These agreements are cancellable in nature.

(Rupees in Millions)

2006	2005	2004	2003	2002
2.67	2.45	2.39	1.95	0.71

6. Earnings Per Share-Calculation of EPS – (Basic & Diluted)

(Rupees in Millions)

Particulars	2006	2005	2004	2003	2002
Nominal Value of Equity Shares (Rs. per share)	10	10	10	10	10
Profit after Taxation	1,067.85	1,077.12	599.89	708.35	772.31
Total number of Equity Shares outstanding at year end / Weighted average number of Equity Shares at year end	340,000,700	340,000,700	340,000,700	340,000,700	340,000,700
EPS – Basic & Diluted (Rs.)	3.14	3.17	1.76	2.08	2.27

Since the company does not have any dilutive securities, the basic and diluted earnings per share are the same.

7. During the year 2001-02 the company has received the approval of Reserve Bank of India and Government of India for the conversion of partly paid up shares into fully paid up shares in lieu of reimbursement of development expenses incurred by Eastern Generation Limited, United Kingdom on behalf of the company. Consequently Advance towards Share Capital has been transferred to Share Capital towards the call money.

8. The Accounting Standard (AS-22) "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, has become applicable to the company effective 1st April 2002. However no deferred tax liability has been provided during 2002-03 as the aggregate of timing differences as at 1st April 2002 and the timing differences for the year originate and reverse during the tax holiday period of the company under the provisions of Section 80-IA of the Income Tax Act,1961. For the year 2003-04 deferred tax of Rs 87.24 millions has been computed on timing differences on account of depreciation that originate during the tax holiday period and reverse after such period. As a result of change in depreciation rates under The Income Tax Act, 1961, all the timing differences as at March 31, 2005 are reversing during the tax holiday period, accordingly the opening accumulated deferred tax liability of Rs.87.24 millions has been reversed during the year 2004-05.

9. 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. The company has recognized revenue relating to capacity charges on the basis as per settlement of bills by APTRANSCO in previous years.

10. During the year 2004-05 the Company has entered into hedging contracts to manage the risk of interest costs by swapping Floating Rates with Fixed Rates. The company hedged interest rates in respect of Foreign Currency Loans aggregating to USD 44.89 millions.

11. Expenses incurred as per the terms of the operation and maintenance contract on repairs and maintenance, due to the composite nature of the contract, have been grouped and disclosed under operation and maintenance expenses.

12. Provision for Adder payments under LTAPSA are charged to Profit & Loss Account based on Factored Fire Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

(Rupees in Millions)

Particulars	As at 01-04-2005	Provision made during the year	Amount used during the year	As at 31-03-2006
Provision for operations and maintenance	197.94	68.79	59.73	206.99

13. Managerial Remuneration includes:

(Rupees in Millions)

Particulars	2006	2005	2004	2003	2002
Salaries	8.51	7.47	4.75	4.32	4.51
Perquisites	0.94	0.63	0.61	0.58	0.10
Directors' Sitting Fees	0.22	0.28	0.22	0.25	0.21
Total	**9.67**	**8.38**	**5.58**	**5.15**	**4.82**

For and on behalf of the Board of Directors

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

P. Rama Krishna
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Hyderabad
June 16, 2006

D. Krishna Rao
Company Secretary
Hyderabad
June 14, 2006

AUDITORS' REPORT

THE BOARD OF DIRECTORS
LANCO INFRATECH LIMITED
141, Lanco House, Avenue # 8,
Banjara Hills
Hyderabad

Dear Sirs,

We have audited the attached Balance Sheet of Lanco Kondapalli Power Private Limited ('the Company'), as at June 30, 2006 and June 30, 2005 and the relative Profit and Loss Account for the quarters ended on those dates annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 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 and report that:

i. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of the audit;

ii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

iii. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India;

iv. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of the affairs of the Company as at June 30, 2006 and June 30, 2005,

   (b) in the case of the Profit and Loss Account, of the profit for the quarter ended on June 30, 2006 and June 30, 2005

   (c) In the case of Cash Flow Statement, of the cash flows for the quarters ended on June 30, 2006 and June 30, 2005.

P. Rama Krishna
Partner
Membership No. 22795
For and on behalf of

Price Waterhouse
Chartered Accountants

Place: Hyderabad
Date: July 24 , 2006

LANCO KONDAPALLI POWER PRIVATE LIMITED

BALANCE SHEET AS AT

(Rupees in Millions)

	Schedule Reference	June 30, 2006		June 30, 2005	
I SOURCES OF FUNDS					
(1) Shareholders' Funds					
(a) Capital	1		3,400.01		3,400.01
(b) Reserves and Surplus	2		830.95		438.98
(2) Loan Funds					
Secured Loans	3		4,715.43		5,217.70
TOTAL			**8,946.39**		**9,056.69**
II APPLICATION OF FUNDS					
(1) Fixed Assets	4				
(a) Gross Block		11,273.14		**11,100.23**	
(b) Less: Depreciation		4,809.31		**3,978.75**	
(c) Net Block		6,463.83		7,121.48	
(d) Capital Advances		4.40	6,468.23	-	7,121.48
(2) Investments					
(Refer Note 11 of Schedule 15)					
(3) Current Assets, Loans and Advances					
(a) Inventories	5	514.44		518.80	
(b) Sundry Debtors	6	764.13		292.32	
(c) Cash and Bank Balances	7	1,081.57		988.53	
(d) Other Current Assets	8	25.38		14.28	
(e) Loans and Advances	9	420.64		447.01	
		2,806.16		2,260.93	
Less: Current Liabilities and Provisions	10				
(a) Liabilities		315.33		307.81	
(b) Provisions		12.68		17.92	
		328.00		325.73	
Net Current Assets			2,478.16		1,935.20
TOTAL			**8,946.39**		**9,056.69**

The Schedules 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 of Directors

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
July 24, 2006

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

D. Krishna Rao
Company Secretary

K. Satyanarayana
General Manager (Finance)

Hyderabad
July 24, 2006

LANCO
INSPIRING GROWTH

LANCO KONDAPALLI POWER PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED

(Rupees in Millions)

		Schedule Reference	June 30, 2006	June 30, 2005
I	**Income**			
	Sale of Electrical Energy		1,446.67	1,385.43
	Less: Rebate		36.13	34.56
			1,410.54	1,350.87
	Other Income	11	26.52	19.92
	Total		**1,437.06**	**1,370.80**
II	**Expenditure**			
	Generation Expenses	12	800.49	725.05
	Administrative and Other Expenses		45.63	36.47
	Interest and Finance Charges	14	101.75	112.24
	Depreciation		210.03	207.99
	Total		**1,157.90**	**1,081.75**
III	**Profit Before Taxation**		**279.16**	**289.04**
	Provision for Taxation			
	Current		31.32	24.32
	Deferred		-	-
	Fringe Benefit Tax		0.15	0.22
IV	**Profit After Taxation**		**247.69**	**264.51**
	Balance in Profit and Loss Account brought forward		155.43	106.82
V	**Profit Available for Appropriations**		**403.12**	**371.33**
	Transfer (from) / to Debenture Redemption Reserve		(4.50)	(4.50)
	Transfer to General Reserve		-	5.33
	Interim Dividend		-	238.00
	Tax on Dividend		-	33.38
VI	**Balance Carried to Balance Sheet**		**407.62**	**99.11**

The Schedules 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 of Directors

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Hyderabad
July 24, 2006

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

D. Krishna Rao
Company Secretary

K. Satyanarayana
General Manager (Finance)

Hyderabad
July 24, 2006

LANCO INSPIRING GROWTH

LANCO KONDAPALLI POWER PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE QUARTER ENDED

(Rupees in Millions)

	June 30, 2006	June 30, 2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax & Extraordinary Items	279.16	289.04
Adjustments for:		
Depreciation	210.03	207.99
Profit on Sale of Current Investments	(0.14)	-
(Profit) / Loss on Sale of Asset	-	(0.13)
Interest Income	(26.33)	(19.77)
Interest Expense	101.75	109.50
Operating Profit Before Working Capital Changes	**564.47**	**586.64**
(Increase)/Decrease in Trade Receivables	33.58	31.63
(Increase)/Decrease in Loans & Advances	(44.74)	(27.74)
(Increase)/Decrease in Inventories	5.30	4.41
Increase/(Decrease) in Trade Payables	(6.54)	(19.04)
Cash Flow From Operations	**552.08**	**575.90**
Income Taxes Paid	(17.83)	7.05
Net Cash Flow From Operating Activities	**534.25**	**582.95**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (net of exchange fluctuation)	(3.58)	(0.15)
Proceeds from sale of Fixed Assets	-	0.13
Purchase of Investments	(216.00)	-
Proceeds from Sale of Investments	216.14	-
Interest Income Received	1.00	7.86
Net Cash Flow From Investing Activities	**(2.44)**	**7.84**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long-term Borrowings	-	-
Repayment of Long-term Borrowings	(237.33)	(231.67)
Proceeds from Short-term Borrowings (net)	111.86	27.19
Dividend Paid	(387.69)	(271.38)
Interest Paid	(102.19)	(110.18)
Net Cash Flow Used in Financing Activities	**(615.34)**	**(586.04)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(83.54)	4.76
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,165.11	983.78
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,081.57	988.53

Notes:

1. 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.
2. Previous year's figures have been regrouped and reclassified to conform to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board of Directors

P. Rama Krishna
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

G. Bhaskara Rao
Director

P. Panduranga Rao
Director & CEO

D. Krishna Rao
Company Secretary

K.Satyanarayana
General Manager (Finance)

Hyderabad
July 24, 2006

Hyderabad
July 24, 2006

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Millions)

Schedule 1	As at June 30, 2006	As at June 30, 2005
Capital		
Authorised		
1,500,000,000 Equity Shares of Rs. 10/- each	15,000.00	15,000.00
Issued, Subscribed and Paid-up		
340,000,700 Equity Shares of Rs.10/- each fully paid up	3,400.01	3,400.01
Total	**3,400.01**	**3,400.01**

(Rupees in Millions)

Schedule 2	As at June 30, 2006		As at June 30, 2005	
Reserves and Surplus				
General Reserve				
General Reserve as at 1st April	349.63		242.85	
Transferred from Profit and Loss Account	0.00		5.33	
General Reserve as at 30th June		349.63		248.18
Debenture Redemption Reserve				
Debenture Redemption Reserve as at 1st April	78.20		96.19	
Transferred to Profit and Loss Account	(4.50)		(4.50)	
Debenture Redemption Reserve as at 30th June		73.70		91.69
Balance in Profit and Loss Account		407.62		99.11
Total		**830.95**		**438.98**

(Rupees in Millions)

Schedule 3	As at June 30, 2006	As at June 30, 2005
Secured Loans		
Debentures		
a) 3,750,000 Secured Redeemable Non-Convertible Debentures of Rs.100/- each [Bearing interest at the rate of 3.5% per annum over and above the prime lending rate (12.5% per annum 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 18/34 value, Debentures amounting to Rs.198,531,000 redeemed till date.]	176.47	220.59
b) 35 Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000/- each [Bearing interest at the rate of 14.75% per annum (12% per annum with effect from April 15, 2003). The debentures are redeemable at par in 34 quarterly equal installments commencing on April 15, 2002 (Rescheduled on April 15, 2003 to 30 quarterly equal installments commencing on April 15, 2003). Out of the above value, Debentures amounting to Rs.231,666,400 redeemed till date.]	118.33	146.18
[The 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 pari passu basis with the charges created for securing the term loans and working capital		

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Millions)

Schedule 3	As at June 30, 2006	As at June 30, 2005
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.]		
Term Loans		
a) Rupee Loans		
From Banks	353.16	436.32
From Financial Institutions	1,097.50	1,355.74
b) Foreign Currency Loans		
From Banks	2,052.25	2,256.32
From Financial Institutions	547.62	640.71
[Rupee Term Loans, Foreign Currency Term Loans from banks and financial institutions, Guarantees issued by banks for securing the Foreign Currency Term Loans from banks 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.		
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.]		
Cash Credits and Working Capital Demand Loan from Banks	370.10	161.85
[Cash Credits and Working Capital Demand Loan from banks are 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.]		
Total	**4,715.43**	**5,217.70**

LANCO
INSPIRING GROWTH

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4

(Rupees in Millions)

Fixed Assets	Gross Block				Depreciation				Net Block	
	As at March 31, 2006	Additions	Deletions	As at June 30, 2006	As at March 31, 2006	For the period	On Deletions	As at June 30, 2006	As at June 30, 2006	As at March 31, 2006
Land and Site development	193.38	-	-	193.38	-	-	-	-	193.38	193.38
Buildings*	1,043.74	4.86	-	1,048.60	182.95	8.59	-	191.53	857.07	860.80
Plant and Machinery*	9,916.65	84.05	-	10,000.69	4,397.28	200.39	-	4,597.67	5,403.03	5,519.37
Office Equipment	12.03	0.75	-	12.78	5.91	0.39	-	6.30	6.48	6.12
Furniture and Fixtures	5.42	0.00	-	5.42	2.64	0.17	-	2.81	2.61	2.78
Leasehold Improvements	1.72	-	-	1.72	1.31	0.05	-	1.36	0.36	0.40
Vehicles	10.56	-	-	10.56	9.20	0.46	-	9.65	0.91	1.36
	11,183.48	**89.66**	**-**	**11,273.14**	**4,599.28**	**210.03**	**-**	**4,809.31**	**6,463.83**	**6,584.20**
Previous Year	11,116.59	72.20	5.31	11,183.48	3,771.23	832.03	3.97	4,599.28	6,584.20	-

* *[Include] / Net-of foreign exchange fluctuations Rs.352.73 millions (including [Rs.87.70 millions] addition in the current period) upto June 30, 2006 (upto March 31, 2006 - Rs. 265.04 millions)*

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Millions)

Schedule 5	As at June 30, 2006	As at June 30, 2005
Inventories		
Raw Materials - Fuel	193.43	194.64
Consumables, Stores and Spares	321.02	324.16
Total	**514.44**	**518.80**

(Rupees in Millions)

Schedule 6	As at June 30, 2006	As at June 30, 2005
Sundry Debtors (Secured and considered good)		
Over six months old	474.38	0.00
Other debts*	289.74	292.32
Total	**764.13**	**292.32**

** Represents unbilled revenue*

(Rupees in Millions)

Schedule 7	As at June 30, 2006	As at June 30, 2005
Cash and Bank Balances		
Cash on hand	0.03	0.04
Balances with Scheduled Banks	-	-
- on current account	4.09	1.80
- on deposit account	1,063.43	964.00
- on margin money account *	14.02	22.69
Total	**1,081.57**	**988.53**

* *The margin money deposits are towards Letters of Credit and Bank Guarantees given by the bankers on behalf of the Company*

(Rupees in Millions)

Schedule 8	As at June 30, 2006	As at June 30, 2005
Other Current Assets (Unsecured and Considered Good)		
Interest Accrued but not due	25.38	14.28
Total	**25.38**	**14.28**

LANCO KONDAPALLI POWER PRIVATE LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in Millions)

Schedule 9	As at June 30, 2006	As at June 30, 2005
Loans and Advances (Unsecured and Considered Good)		
Loan	200.00	200.00
Advances recoverable in cash or in kind or for value to be received	82.45	86.57
Deposits - with Government Authorities	3.09	3.06
- with Others	0.02	0.02
Advance for Operations & Maintenance (Net of Provision)	135.08	157.35
Total	**420.64**	**447.01**

(Rupees in Millions)

Schedule 10	As at June 30, 2006	As at June 30, 2005
Current Liabilities and Provisions		
(a) Liabilities		
Sundry Creditors		
Dues to Small Scale Industrial Undertakings		
Dues to Other than Small Scale Industrial Undertakings	139.89	121.84
	139.89	121.84
Other Liabilities	118.44	118.20
Interest accrued but not due	57.00	67.77
Total	**315.33**	**307.81**
(b) Provisions		
Provisions for Tax	6.11	12.94
Provisions for FBT	0.15	0.22
Provisions for Employee Benefits	6.42	4.76
Total	**12.68**	**17.92**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE

(Rupees in Millions)

Schedule 11	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Other Income		
Interest on Loan, Deposits and Bonds (Gross)	26.33	19.77
Profit on Sale of Investments	0.14	-
Profit on Sale of Assets (Net)	-	0.13
Miscellaneous Income	0.05	0.03
Total	**26.52**	**19.92**

(Rupees in Millions)

Schedule 12	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Generation Expenses		
Fuel & Lubricants	700.41	638.26
Operations and Maintenance	95.95	77.09
Other Expenses	2.10	7.73
Repairs and Maintenance		
- Plant and Machinery	1.27	1.97
- Others	0.76	-
Total	**800.49**	**725.05**

(Rupees in Millions)

Schedule 13	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Administrative and Other Expenses		
Salaries, allowances and benefits to employees	8.76	5.21
Contribution to Provident and Other Funds	0.12	0.20
Staff Welfare	0.12	0.09
Rent	0.70	0.63
Rates and Taxes	0.53	0.29
Insurance	21.17	20.90
Directors' Sitting Fees	0.01	0.01
Repairs and Maintenance		
- Other than Factory Buildings	-	-
- Others	0.33	0.44
Electricity Charges	0.42	0.43
Consultancy and Other Professional Charges	0.74	0.64
Remuneration to Auditors		
- Audit Fees	0.23	0.13
- Tax Audit Fees	-	0.02
- Certification	0.08	-
- Out of Pocket Expenses	-	0.01
Exchange Flucatuion	0.01	(0.01)
Travelling and Conveyance	7.39	3.37
Communication Expenses	0.73	0.42
Donations	3.00	3.30
Miscellaneous Expenses	1.29	0.38
Total	**45.63**	**36.47**

LANCO KONDAPALLI POWER PRIVATE LIMITED

(Rupees in Millions)

Schedule 14	Quarter ended June 30, 2006	Quarter ended June 30, 2005
Interest and Finance Charges		
Interest on Debentures	9.36	12.71
Interest on Fixed Loans	83.12	94.19
Interest on Working Capital	6.23	2.61
Bank/ Other Finance Charges	3.04	2.73
Total	**101.75**	**112.24**

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

Accounting Assumptions

These 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 sale of energy is recognized on the accrual basis in accordance with the provisions of the Power Purchase Agreement. Claims for delayed Payment Charges and any other claims, which the company is entitled to under the Power Purchase Agreement, shall be 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.

Operations and Maintenance

The Company 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 & 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 minimum payments are accounted as and when due.

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. Cost of software is charged to Profit and Loss account in the year of purchase.

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".

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in Progress.

Depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher, except for assets less than Rs. 5,000, which are fully depreciated in the year of acquisition and Leasehold Improvements which are depreciated over the period of lease. 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 is provided prospectively over the residual useful life of the asset.

All fixed assets are assessed for any indication of impairment at the end of each financial year. On such indication, the impairment loss (being the 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 year is reversed where the recoverable value exceeds the carrying value of the asset upon re-assessment in the subsequent years.

Investments

Investments are classified into current investments and long-term investments. Current investment are carried at lower of cost or market value. Long term investment are carried at cost less provision made to recognize any decline, other than temporary in the value of such investments. Cost of acquisition is inclusive of expenditure incidental to acquisition.

Inventories

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.

Foreign Currency Transactions

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

Monetary Assets and 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.

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.

Retirement Benefits

Contribution to defined scheme such as Provident Fund is charged to profit and loss account as incurred on accrual basis. Provision for leave encashment is made on the basis of unavailed leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 the 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 have been computed on the timing differences by applying the substantially enacted tax rates. Deferred tax assets is recognized only to the extent that there is reasonable certainty supported by convincing evidence that 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 comprise net profit after tax. The number of shares used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

II. NOTES TO THE ACCOUNTS

1. Contingent Liabilities

a) Bank guarantees outstanding: Rs. 102.73 milllions (June 2005: 102.73 millions).

b) Demand of Differential Customs Duty relating to Engineering, Procurement and Construction Contract, decided in company's favour, appealed by the authorities–Rs.196.40 millions (2005: Rs.196.40 millions). In the event of crystallization of claim, the same shall be paid by or recovered from the contractor.

c) The Customs Authorities have issued an Adjudication Order and raised a demand of Rs.449.55 (Rs.449.55) inclusive of penalty. On an appeal filed by the company, CESTAT has set aside the impugned order of the Customs Department and remanded the matter for denovo consideration by the Commissioner of Customs.

d) 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.

e) 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 period of more than five years. APPCC unilaterally adjusted power supply dues to the extent of Rs. 474.40 millions against the above claim. Company has filed a writ petition before AP High Court and obtained stay order. 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.

2. In respect of the amounts billed by the company, for sale of electrical energy and for other claims, APTRANSCO has retained certain amounts pending resolution of issues like claim of force majeure, liquidated damages, etc (refer note 1e). 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.
3. The Company's operations relate to generation of power and the same has been considered as a single business segment. Hence, disclosure of segmental information has not been considered.
4. **Related Party Transactions**
   a) Names of Related Parties and description of relationship:

(i) Enterprises where significant influence exists	Genting Lanco Power (India) Private Limited and Lanco Infratech Limited,
(ii) Enterprises having significant influence	Doosan Mecatec Co. Ltd, Doosan Heavy Industries & Construction Co Ltd, Inkor Engineering Private Limited, Third Millennium Investments Ltd, Globeleq Holdings (Kondapalli) Ltd and WEB Energy Ltd.
(iii) Key Management Personnel	Mr. Y. Harish Chandra Prasad, former Managing Director; Mr. P. Panduranga Rao, Director & CEO

   b) Summary of transactions with above Related Parties: *(Rupees in Millions)*

Nature of Transaction	Enterprises where significant influence exist	Enterprises having significant influence	Key Management Personnel	Balance Payable/ [Receivable]
Operations & Maintenance	40.72 (26.47)	- (-)	- (-)	4.72 (3.21)
Engineering, Equipment & Spares Supply and Construction Contracts	- (-)	- (-)	- (-)	0.69 (0.69)
Loan outstanding from an enterprise where significant influence exists	- (-)	- (-)	- (-)	[200.00] ([200.00])
Interest on Loan	3.49 (3.49)	- (-)	- -	2.71
Remuneration – Managing Director	- (-)	- (-)	- (1.30)	- (-)
Remuneration – Director & CEO up to 30.06.2006	- (-)	- (-)	0.75 (-)	- (-)
Dividends Paid	- (1.67)	- (221.34)	- (-)	- (-)

Notes:

a) Key Management Personnel i.e. the former Managing Director and an enterprise where significant influence exists have extended personal/corporate guarantees for loans taken by the company.

b) Corresponding quarter ended 30.06.2005 figures are mentioned in brackets.

5. The Company has entered into certain operating lease agreements and an amount of Rs. 0.69 millions (June 2005; Rs.0.63 millions) paid under such agreements has been charged to Profit & Loss Account. These agreements are cancellable in nature.
6. Earnings Per Share

   Calculation of EPS – (Basic & Diluted)

Particulars	Quarter Ended	
	June 30, 2006	**June 30, 2005**
Nominal Value of Equity Shares (Rs. per share)	10	10
Profit after Taxation (Rs. in millions)	247.56	264.51
Total number of Equity Shares outstanding at year end / Weighted average number of Equity Shares at year end	340,000,700	340,000,700
EPS – Basic & Diluted (Rs.)	0.73	0.78

Since the company does not have any dilutive securities, the basic and diluted earnings per share are the same.

7. The Company has entered into hedging contracts to manage the risk of interest costs by swapping Floating Rates with Fixed Rates. The company hedged interest rates in respect of Foreign Currency Loans aggregating to USD 33.37 millions (June 2005: USD 39.13 millions).

8. Expenses incurred as per the terms of the operation and maintenance contract on repairs and maintenance, due to the composite nature of the contract, have been grouped and disclosed under operation and maintenance expenses in Schedule 12.

9. Provision for Adder payments under LTAPSA are charged to Profit & Loss Account base on Factored Fire Hours including Customs Duty applicable at the prevailing rate and the Customs Duty paid during the year is adjusted against the provision.

(Rupees in millions)

Particulars	**As at 01-04-2006**	**Provision made during the year**	**Amount used during the year**	**As at 30-06-2006**
Provision for operations and maintenance	206.99	18.27	9.44	215.82

10. Managerial Remuneration included in Schedule 13

(Rupees in millions)

Particulars	**Quarter ended June 30, 2006**	**Quarter ended June 30, 2005**
Salaries	0.75	1.01
Perquisites	-	0.29
Directors' Sitting Fees	0.01	0.01

11. Investment in Mutual Funds - Purchased & Sold during 01.04.2006 to 30.06.2006.

Particulars	**Purchases**		**Redemption**	
	No. of Units	**Rupees in millions**	**No. of Units**	**Rupees in millions**
UTI Liquid Cash Plan	43,476 (-)	50.00 (-)	43,476 (-)	50.02 (-)
Birla Sun Life	4,489,015 (-)	50.00 (-)	4,489,015 (-)	50.03 (-)
Prudential ICICI	4,878,096 (-)	50.00 (-)	4,878,096 (-)	50.04 (-)
Standard Chartered Mutual Fund	15,909,205 (-)	66.00 (-)	15,909,205 (-)	66.05 (-)
Grand Total	**25,319,792** (-)	**216.00** (-)	**25,319,792** (-)	**216.14** (-)

Note: Previous year figures are mentioned in brackets

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements of LITL and its Subsidiaries and stand-alone financial statements of the Subsidiaries and LKPPL, including the notes thereto, included elsewhere in this Red Herring Prospectus. Our consolidated financial statements and stand-alone financials of our Subsidiaries were prepared in accordance with Indian GAAP, which differ in certain material respects from U.S. GAAP.

Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our fiscal year ended March 31 of such year. In this section, any reference to "we", "us" or "our" refers to Lanco Infratech Limited on a consolidated basis.

Overview

We are an infrastructure development company in India with interests in power, construction and property development. We currently own 11 power projects (of which five are in operation and six are under development) with current operating capacity of 149.75 MW in operation and 1,260.0 MW under development. We currently own 33.9% of LKPPL, which owns and operates the Kondapalli Power Plant, and have agreed to acquire an additional 25.1% equity stake from Globeleq by the quarter ending December 31, 2006. The Kondapalli Power Plant has an operating capacity of 368.1 MW. We also have a right to subscribe up to 74.0% of the share capital of NPCL upon achieving financial closure of the Nagarjuna Power Project prior to March 31, 2007. The Nagarjuna Power Project is expected to have an operational capacity of 1,015.0 MW. Our power assets consist of gas, biomass, hydro, coal (indigenous and imported) and wind-based power plants. We also have interests in power trading in India and commenced power trading operations in January 2006. In the construction business, we have experience in the execution of several power projects, transportation networks, water supply works, and commercial and residential building complexes. These projects include the coffer dam for the Tehri Dam project, the Veeranam Water Supply project, modernisation of an 825-bed hospital for the Indian Navy in Mumbai, a cable-stayed flyover in Navi Mumbai, and construction of the Kondapalli Power Plant and the Aban Power Plant. We are currently involved in construction projects in relation to power projects, highways and a telephone exchange. In the property business, we own or have won bids to develop approximately 19.5 million square feet of saleable area, including a 100.0 acre integrated IT park and township and a 21.8 acre residential development, both located in Hyderabad. Our services cover all stages of development of our projects, including the supervision of construction services, financing and operations.

Our promoters are Mr. L. Madhusudhan Rao, Mr. G. Bhaskara Rao, Mr. L. Sridhar, Prince Stone and LGL.

In order to consolidate the power, construction and property development business of the Promoter Group companies and the Lanco Group under one holding company, we commenced a reorganisation in May 2006, pursuant to which, we acquired a controlling interest in 19 entities from the Promoter Group. Subsequently, we also acquired a 13.3% equity stake of APCL from Aban Ventures, which combined with the 37.7% interest of the Promoter Group and Lanco Group, gave us a controlling interest in APCL. As a consequence, these entities became our consolidated Subsidiaries. Also as part of the reorganisation, LKPPL is expected to become a consolidated Subsidiary of LITL by the quarter ending December 31, 2006 following the proposed acquisition of an additional 25.1% interest from Globeleq for US$30.0 million (approximately Rs. 1,394.7 million) plus interest for the period from October 8, 2006 ("Payment Date") until the actual payment is made, if the closing is not completed by the Payment Date. The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to Government approval and the consent of the other shareholders of LKPPL. The purpose of the reorganisation and consolidation of the power and property development businesses into LITL is to derive synergies from operating across various businesses in infrastructure development.

We currently operate three different businesses within infrastructure development, namely, power, construction and property development. The power business is expected to contribute significantly to our income and profits in the near future. The property development business is still in the early stages of growth. We operate our construction business through LITL. In the years ended March 31, 2004, 2005 and 2006, LITL's total consolidated income was Rs. 1,307.7 million, Rs. 1,852.9 million and Rs. 1,483.9 million, respectively, and LITL's consolidated net profit after taxation, minority interest and share of profits of associates was Rs. 70.7 million, Rs. 92.5 million and Rs. 170.7 million, respectively. In the quarter ended June 30, 2006, LITL's total consolidated income was Rs. 1,109.6 million and net profit after taxation, minority interest and share of profits of associates was Rs. 130.6 million. We operate our power business through individual project companies that are consolidated Subsidiaries of LITL. We expect LKPPL and APCL to contribute a significant portion of our revenues going forward. APCL commenced operations in August 2005 and had a total income and profit after taxation for the period from August 11, 2005 to March 31, 2006 of Rs. 983.5 million and Rs. 33.5 million, respectively. APCL's results of operations were consolidated with LITL's results of operations for the quarter ended June 30, 2006 with effect from June 7, 2006. APCL's total income and profit after taxation for the quarter ended June 30, 2006 was Rs. 375.4 million and Rs. 8.7 million, respectively. Also, in the years ended March 31, 2004, 2005 and 2006, LKPPL's total income was Rs. 5,625.3 million, Rs. 5,681.2 million and Rs. 5,650.5 million, respectively and profit after taxation was Rs. 599.9 million, Rs. 1,077.1 million and Rs. 1,067.9 million, respectively. For the quarter ended June 30, 2006, LKPPL's total income was Rs. 1,437.1 million and profit after taxation was Rs. 247.7 million.

All of our businesses are located in India, and all of our investments are in companies that operate businesses in India. Historically, in the power sector, we have been most active in Southern India, in the states of Andhra Pradesh, Tamil Nadu and Karnataka. We have, however, in recent years pursued opportunities in other parts of India, including Amarkantak, in the State of Chhattisgarh (where we are developing a coal-based power plant) and in the states of Uttaranchal, Himachal Pradesh and Sikkim (where we are developing hydroelectric power plants). Recently in September 2006, we won the bid to develop and operate the coal-based Anpara "C" power plant in the State of Uttar Pradesh. While we plan to capitalise on our belief that India will continue to experience strong and growing demand for power and urban infrastructure, we also intend to pursue suitable opportunities to acquire assets in other parts of Asia.

Recent Reorganisation

In May 2006, we commenced a reorganisation of the Lanco Group, in order to consolidate the power, construction and property development assets of the Promoter Group and the Lanco Group under LITL. In order to achieve the reorganisation, LITL acquired or subscribed to the equity shares of APCL, LKPPL, LGPPL, LAPPL, LHPVL, RESL, CPCL, LHTPPL and the Ocean Park companies from other Promoter Group companies. LITL also acquired 13.3% of the equity shares of APCL from Aban Ventures. As part of the reorganisation, we have also entered into a share purchase agreement with Globeleq to buy its 25.1% equity stake in LKPPL by October 8, 2006 (the "Payment Date"), upon payment of a consideration of US$30.0 million (approximately Rs. 1,394.7 million) plus interest for the period from the Payment Date until the actual payment is made. The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to receiving Government approval and the consent of other shareholders of LKPPL. For further details, please see "Reorganisation" included on page 65 of this Red Herring Prospectus.

Prior to the reorganisation, LITL had a minority stake in all of the Subsidiaries being consolidated under the reorganisation and their results and assets and liabilities were reflected pursuant to the equity method of accounting. As a result of the reorganisation, the financial statements of these Subsidiaries were consolidated with the financial statements of LITL for the quarter ended June 30, 2006. As a result, the financial results of LITL for the quarter ended June 30, 2006 are not comparable with financial results for the previous quarters. In addition, in recent fiscal years, there have been significant intra-group transactions between LITL and the Subsidiaries being consolidated with LITL under the reorganisation, and LITL and LKPPL. To the extent any such intra-group transactions between LITL and the Subsidiaries have occurred since the reorganisation or occur in the future, or any such intra-group transactions between LITL and LKPPL occur following the proposed acquisition of LKPPL, such transactions would be eliminated in preparation of the consolidated financial statements of LITL. Investors should not construe the historical financial statements of LITL contained herein as reflecting the historical results of operations of the businesses that will be consolidated with LITL in fiscal 2007, or are expected to be consolidated with LITL in future periods.

This Red Herring Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations or in accordance with common practices in other jurisdictions, which would have shown the historical results of operations of LITL assuming the reorganisation and the acquisition of LKPPL had occurred at the beginning of the relevant reporting period. Following the reorganisation including the proposed acquisition of LKPPL, the future consolidated financial statements of LITL will consolidate the Subsidiaries, including APCL, and LKPPL. Accordingly, the consolidated LITL group now includes, and is expected to continue to include, additional significant business operations, the results of which are not reflected in LITL's historical financial statements.

If a pro forma balance sheet or a pro forma income statement prepared in accordance with such regulations had been prepared, such balance sheet or income statement would reflect certain adjustments required by such regulations, such as:

- elimination of all transactions with the entity being acquired, including revenues, expenses, loans, receivables, dividends, inter company profits, among others;
- the impact of purchase accounting and the acquisition transactions;
- adjustments to conform accounting policies; and
- effect on income taxes and earnings per share.

As a result, due to significant intra-group transactions between LITL, our Subsidiaries and LKPPL, the pro forma consolidated revenue of LITL prepared in accordance with such regulations would have been significantly less than the revenue derived from simply adding the revenues of such Subsidiaries and LKPPL, and LITL's revenues. The above examples of adjustments is not, and is not intended to be construed as, a complete or comprehensive list of all adjustments that would have been required to have been made in preparing any such pro forma balance sheet or pro forma income statement.

Principal Factors Affecting Our Performance

Our business, results of operations and financial condition are affected by a number of factors, including:

- *Reorganisation.* In May 2006, we commenced a reorganisation of our company, in order to consolidate all of the power, construction and property development assets of the Promoter Group and the Lanco Group under one holding company. Accordingly, the consolidated financial statements for the three years ended March 31, 2006 do not reflect the performance of the power and property development businesses (except as share of profits of associate for such entities and then only the proportionate share of such entities owned by LITL prior to the reorganisation) for the last three fiscal years or what our financial conditions, results of operations or cash flows would have been had the reorganisation occurred at the beginning of the period covered thereby. The performance of the power and property development businesses will be reflected in the consolidated financial statements starting fiscal 2007. We have no experience in operating as a power, construction and property development conglomerate, and we have very limited operating history as a holding company for the power business. Our ability to successfully complete the reorganisation and operate a consolidated group efficiently will affect our results of operations, cash flows and financial condition. Please see "Risk Factors - We are currently reorganising our business and are undertaking several new projects. If our reorganisation is not completed or our new projects are not successful, we may not achieve the operational and financial objectives we have set, and we may have difficulty achieving and managing growth" on page xvii of this Red Herring Prospectus.
- *Macroeconomic factors in India*. As of the date of this Red Herring Prospectus, all of our assets are located in India and accordingly, macroeconomic factors in India have a direct significant impact on our business, results of operations and financial condition. These macroeconomic factors include the growth of the Indian economy, interest rates, as well as the political and economic environment. We believe that the Indian economy will grow in the next few years and, consequently, we are currently developing, and expect to continue to develop, projects whose revenues are dependent on the Indian economy and their utilisation rates, including our two property projects in Hyderabad, our construction projects and our power projects currently under development.
- *Asset Mix*. Currently all our four operating assets are in the power sector, of which one is a gas-based power plant, two are bio-mass power plants and one is a wind-based power plant. We currently own a 33.9% equity stake in, and have entered into an agreement to acquire a further 25.1% equity stake of, LKPPL, which owns a multi-fuel power plant, currently operating on gas. We are changing our asset mix through the development of five new hydroelectric power plants and two coal-based power plants. We also plan to develop two property projects in Hyderabad. We believe this change in our asset mix will enable us to benefit from the expected growth in different sectors within the power and property development sectors and reduce our reliance on our gas-based power plants.
- *Cost of raw materials, fuel, labour, land, construction materials and other inputs*. The cost of raw materials, fuel, labour and other inputs constitutes a significant part of our operating expenses. Fuel costs and construction and equipment costs for operating our power and construction businesses constitute a significant part of our operating expenses. Both our construction and property development operations also require significant capital outlay, including the cost of acquisition of land, cost of acquiring developmental rights, cost of materials and marketing and other pre-sale costs. Our ability to pass on increases in the purchase price of raw materials, fuel and other inputs may be limited in the case of fixed-price contracts or contracts with limited or no price escalation provisions. Under the terms and conditions of fixed-price contracts in each of our power, construction and property businesses, we generally agree to provide services for the part of the project contracted to us for a fixed price, subject to contract variations pursuant to changes in the client's project requirements. Many of our projects are performed under fixed-price contracts that contain limited or no price escalation clauses covering increases in the cost of raw materials. Our actual expense in executing a fixed-price contract may vary substantially from the assumptions underlying our bid for several reasons, including unanticipated increases in the cost of raw materials, fuel, labour and other inputs, unforeseen construction conditions, including inability of the client to obtain requisite environmental and other approvals, delays caused by local weather conditions and suppliers' or subcontractors' failures to perform. Unanticipated increases in the price of raw materials, fuel costs, labour or other inputs not taken into account in our bid and delays in performing parts of the contracts, can have compounding effects by increasing the costs of performing other parts of the contract. These variations and the risks generally inherent in the power, construction and property development industries may materially and adversely affect our results of operations and financial condition.
- *Customer mix*. As of the date of this Red Herring Prospectus, we generate a substantial portion of our income from power plants, for which the power purchasers are state-owned entities. Further, we execute many civil construction contracts for our affiliate companies. In fiscal 2004, 2005 and 2006, 6.0%, 47.0% and 27.0% of our revenues were from our affiliates. In the quarter ended June 30, 2006, 49.0% of our revenues were from affiliates. Please see "Risk Factors - We enter into related party transactions. For our construction business, a portion of our revenue has been from affiliates acquired, or to be acquired, by us in the reorganisation" on page xvii of this Red Herring Prospectus. We expect that, upon completion of our construction and property projects currently under development, our customer base will change and we will be able to sell some of our services to other customers, including non-affiliates and those in the private sector. We expect increasing our customer mix will reduce the level of market risk to which we are exposed.
- *Effect of price volatility and availability of fuel*. Under the PPAs relating to the Kondapalli Power Plant and the Aban Power Plant, LKPPL and APCL are entitled to be reimbursed for their fuel costs based on certain agreed parameters. If prices for gas for our gas-based power plants continue to be high in comparison to other types of fuel, we may experience difficulty in securing new long-term purchase commitments, or renewing our existing purchase commitments, in each case once our existing PPAs expire and, accordingly, our earnings could be adversely impacted. If fuel costs increase significantly and our offtakers default on their obligations to reimburse us under the PPAs, such costs will not be passed through to our offtakers

and we will be liable for such fuel costs. If such fuel costs increase, the adverse effect of any such default on us will be greater. We expect that our future focus will be on coal-based power projects and hydroelectric power projects that are generally able to generate electricity at a lower cost than gas-based power plants, which makes them more competitive over a long period of time.

- *Dependence on government policy and regulation towards infrastructure.* The growth of the infrastructure industry in India and our infrastructure development business is dependent on the establishment of stable Government policies and prudent regulation. Infrastructure development in India has historically been the preserve of the central and State Governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in Government policies, which began in the 1990s, facilitated the entry of private capital into infrastructure and have led to rapid growth in certain sectors. More recently, policy changes in the transportation, energy, urban infrastructure and industrial and commercial infrastructure sectors have begun to attract significant private sector interest. Changes in Government policy and support for the infrastructure sector will affect our growth prospects and results of operations. Furthermore, with respect to the Lanco Amarkantak Power Plant currently under construction with a planned gross capacity of 600.0 MW (2 x 300.0 MW), regulatory costs associated with state approvals for captive coal mining may also significantly affect our expenses.
- *Competition.* Our results of operations are affected by competition in the infrastructure sector in India. We expect competition to intensify due to possible new entrants in the market (including international property development and construction companies), existing competitors further expanding their operations and our entry into new markets where we may compete with well-established infrastructure companies. We expect changes in the competitive environment to impact our financial condition and results of operations.
- *Our bidding and execution capability.* Infrastructure project developments on a public private partnership basis in India involve pre-qualifying interested companies based on their technical and financial strengths. The nature of the Government of India's process is such that the pre-qualifications obtained in the past play an important role in allowing companies to bid for new projects. Further, the ability to strategically partner with other players will also determine our success in being awarded projects for which we bid. Our project management capability will also affect our financial condition and operations. Maintaining execution and operating costs at a competitive rate is crucial to the profitability of our construction and power businesses.
- *Seasonality and weather conditions*. Our business operations may be materially and adversely affected by severe weather, which may require us to evacuate personnel or curtail services and may result in damage to our infrastructure projects and our equipment or facilities, resulting in the suspension of operations. In addition, such weather may prevent us from delivering materials to our project sites in accordance with contract schedules or otherwise generally reduce our productivity. Our operations, and our infrastructure business in particular, are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon season, which restrict our ability to carry on construction activities and fully utilise our resources. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.
- *Changes in tax laws and regimes*. We currently have operations and staff located across many Indian states. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations, results achieved and the timing and nature of income earned and expenditures incurred. We have claimed certain tax credits under section 80(IA) of the Income Tax Act, 1961, relating to our infrastructure development projects, which decrease our effective tax rates compared to the statutory tax rates. However, the Government of India has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us, which has increased our tax liability. Further changes in our operating environment, including adverse changes in any of the taxes levied by the central or state governments or removal of tax concessions, exemptions or incentives, or claims by tax authorities that we are ineligible for any of them, could adversely affect our financial condition and results of operations.
- *Investment in our new projects*. We plan to make significant investments in a number of new projects over the next several years, including our hydroelectric and coal-based power projects, property projects and other projects that we may win following competitive bids. If the development of these projects costs substantially less than what we have budgeted, or if we are able to complete these projects ahead of schedule, our financial condition and earnings could improve. Conversely, if we are unable to complete these projects in accordance with our budgets, or if completion of these projects is delayed or, once completed, these projects do not operate profitably, our financial condition and results of operations could be adversely affected. For a more detailed discussion of our plans with respect to these investments and the factors, which may affect their timing and amounts, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" on page 244 of this Red Herring Prospectus.
- *Ability to borrow funds at competitive rates*. Power, construction and property development projects, by their nature, are typically capital intensive and require high levels of debt financing. Please see "Risk Factors - Our businesses have and will have substantial capital requirements and may require additional financing in the form of debt or equity to meet our budgetary and operating expenses. We may not be able to raise the required capital or if so, under terms that are favourable to us" on page xxi of this Red Herring Prospectus. We have in the past been able to raise debt financing on terms acceptable to us. However, if for any reason we are unable to obtain adequate finances in a timely manner and on acceptable terms, or at all, our financial condition and results of operations could be adversely affected.

Lanco Infratech Limited (“LITL”) Consolidated Results of Operations

Overview of Results of Operations for LITL and its consolidated subsidiaries for fiscal 2003, 2004, 2005 and 2006 and the quarters ended June 30, 2005 and June 30, 2006

The following table sets forth certain information with respect to revenues, expenditures and profits for LITL and its consolidated subsidiaries for the periods indicated.

Particulars	For the year ended March 31								For the quarter ended June 30			
	2003		2004		2005		2006		2005		2006	
	Amount in Rs. million	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*
Income												
Sales and Operating Income	1,745.6	99.4%	1,292.6	98.8%	1,839.2	99.3%	1,471.0	99.1%	195.6	97.3%	1,101.7	99.3%
Other Income	10.3	0.6%	15.1	1.2%	13.7	0.7%	12.9	0.9%	5.4	2.7%	7.9	0.7%
Total Income	**1,755.9**	**100%**	**1,307.7**	**100%**	**1,852.9**	**100%**	**1,483.9**	**100%**	**201.0**	**100%**	**1,109.6**	**100%**
Expenditure												
Subcontract Cost and Other Construction Cost	1,003.2	57.1%	651.3	49.8%	760.4	41.0%	742.2	50.0%	118.8	59.1%	327.3	29.5%
Generation and Operating Expenses	463.4	26.4%	394.8	30.2%	862.5	46.6%	516.2	34.8%	43.6	21.7%	512.0	46.1%
Administration and Other Expenses	161.8	9.2%	76.5	5.8%	54.9	3.0%	45.1	3.0%	11.6	5.8%	43.5	3.9%
Interest and Finance Charges	27.1	1.5%	78.5	6.0%	60.5	3.3%	36.3	2.4%	7.6	3.8%	56.7	5.1%
Loss on Sale of Assets (Net)	1.8	0.1%	13.3	1.0%	48.0	2.6%	0.2	-	0.2	0.1%	0.4	-
Depreciation	23.9	1.4%	40.7	3.1%	40.0	2.1%	18.9	1.3%	4.6	2.3%	29.1	2.6%
Total Expenditure	**1,681.2**	**95.7%**	**1,255.1**	**96.0%**	**1,826.3**	**98.6%**	**1,358.9**	**91.6%**	**186.4**	**92.7%**	**968.9**	**87.3%**
Profit Before Taxation and Before Minority Interest/ Share of Profits of Associates	**74.7**	**4.3%**	**52.6**	**4.0%**	**26.6**	**1.4%**	**124.9**	**8.4%**	**14.6**	**7.3%**	**140.6**	**12.7%**
Provision for Taxation												
Current	14.7	0.8%	20.5	1.6%	23.5	1.3%	40.0	2.7%	6.8	3.4%	48.7	4.4%
Deferred	13.8	0.8%	(2.5)	(0.2%)	(29.6)	(1.6%)	(6.8)	(0.5%)	(3.5)	(1.7%)	(1.6)	(0.1%)
Fringe Benefit	-	-	-	-	-	-	0.3	-	0.1	-	0.2	-
Total Tax	**28.5**	**1.6%**	**18.0**	**1.4%**	**(6.1)**	**(0.3%)**	**33.5**	**2.2%**	**3.4**	**1.7%**	**47.3**	**4.3%**
Net Profit After Taxation and Before Minority Interest and Share of Profits of Associates	**46.2**	**2.6%**	**34.6**	**2.6%**	**32.7**	**1.8%**	**91.5**	**6.2%**	**11.2**	**5.6%**	**93.3**	**8.4%**
Share of Profits of Associates (Net)	49.6	2.8%	42.4	3.2%	64.4	3.5%	79.1	5.3%	17.7	8.8%	38.2	3.4%
Minority Interest	-	-	6.2	0.5%	4.6	0.2%	-	-	-	-	0.9	0.1%
Net Profit After Taxation, Minority Interest and Share of Profits of Associates	**95.8**	**5.5%**	**70.8**	**5.4%**	**92.5**	**5.0%**	**170.6**	**11.5%**	**29.0**	**14.4%**	**130.6**	**11.8%**

Sales and Operating Income

For fiscal 2003, 2004, 2005 and 2006 and the quarters ended June 30, 2005 and June 30, 2006, sales and operating income for LITL, on a consolidated basis, primarily consisted of income from our construction business and power generation. Sales and operating income from construction contracts is recognised in accordance with the percentage completion method. For fiscal 2004 and 2005, sales and operating income included income from the sale of electrical energy by RESL, which was deconsolidated from LITL's accounts in fiscal 2006 due to dilution of LITL's shareholding from 54.3% to 45.7%. Sales and operating income for fiscal 2006 included income from our power trading business, which commenced in 2006. Sales and operating income as a percentage of total income was 99.4%, 98.8%, 99.3% and 99.1% in fiscal 2003, 2004, 2005 and 2006, respectively. For the quarters ended June 30, 2005 and June 30, 2006, sales and operating income as a percentage of total income was 97.3% and 99.3%, respectively.

Other Income

Other income comprises interest received on bank deposits, deemed export benefits and miscellaneous income. Deemed export benefits are monetary incentives granted by the Director General of Foreign Trade to companies for using domestically manufactured equipment in lieu of importing equipment. Other income as a percentage of total income was 0.6%, 1.2%, 0.7% and 0.9% in fiscal 2003, 2004, 2005 and 2006, respectively. For the quarters ended June 30, 2005 and June 30, 2006, other income as a percentage of total income was 2.7% and 0.7%, respectively.

Expenditures

Our expenditures have the following major components: subcontract and other construction cost; generation and operating expenses; administration and other expenses (including salaries, allowances and benefits to employees, contributions to provident and other funds, staff welfare, rent, rates and taxes, insurance, donations, maintenance, communication, business promotion, repairs and maintenance, electricity charges, consultancy and other professional charges and other miscellaneous expenses); interest and finance charges; loss on sale of assets; and depreciation. Our total expenditure for fiscal 2003, 2004, 2005 and 2006 was Rs. 1,681.2 million, Rs. 1,255.1 million, Rs. 1,826.3 million and Rs. 1,358.9 million, respectively. For the quarters ended June 30, 2005 and June 30, 2006, our total expenditure was Rs. 186.4 million and Rs. 968.9 million, respectively.

Taxes

Income taxes are accounted for in accordance with Accounting Standard – 22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise both current and deferred taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits available under the provisions of the Income Tax Act 1961. Please see "Statement of Possible Tax Benefits Available to the Company and its Shareholders" on page 41 of this Red Herring Prospectus for further details of tax benefits.

Deferred tax arises from the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods and is measured using the tax rates and laws applicable as of the date of the financial statements. We provide for deferred tax liability on such timing differences subject to prudent considerations in respect of deferred tax assets. The significant timing differences include the difference in depreciation permitted under Indian GAAP and the Income Tax Act 1961.

Restatements

Paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI guidelines require us to restate our previous years' financial statements included in this Red Herring Prospectus to conform to methods used in preparing our latest financial statements, as well as to conform to any changes in accounting policies and estimates. These adjustments had no effect on net profit for fiscal 2003, 2004, 2005 and 2006 and the quarters ended June 30, 2005 and June 30, 2006.

Comparison of the quarter ended June 30, 2006 with the quarter ended June 30, 2005

Sales and Operating Income. Sales and operating income increased by 463.2% from Rs. 195.6 million in the quarter ended June 30, 2005 to Rs. 1,101.7 million in the quarter ended June 30, 2006. This increase primarily reflected an increase in income from construction contracts from Rs. 195.2 million in the quarter ended June 30, 2005 to Rs. 471.6 million in the quarter ended June 30, 2006, an increase in the sale of electrical energy from Rs. 4.7 million in the quarter ended June 30, 2005 to Rs. 569.5 million in the quarter ended June 30, 2006 due to income from APCL and LEUL, which were consolidated with LITL in the quarter ended June 30, 2006. Also compared to a loss on sale of investments of Rs. 4.3 million in the quarter ended June 30, 2005, we had a profit on sale of investment of Rs. 58.8 million in the quarter ended June 30, 2006, primarily on account of sale of LITL's investments in Lanco Industries Limited and Lanco Global Systems Limited.

Other Income. Other income increased by 46.3% from Rs. 5.4 million in the quarter ended June 30, 2005 to Rs. 7.9 million in the quarter ended June 30, 2006, primarily reflecting an increase in interest on deposits from Rs. 3.9 million in the quarter ended

June 30, 2005 to Rs. 5.8 million in the quarter ended June 30, 2006, the consolidation of interest income of APCL and LEUL amounting to Rs. 1.7 million during the quarter ended June 30, 2006, an increase of Rs. 0.3 million in miscellaneous income and the inclusion of insurance claims of Rs. 0.4 million received by RESL, which was consolidated with LITL in the quarter ended June 30, 2006.

Subcontract Cost and Other Construction Cost. Subcontract cost and other construction cost increased by 175.5% from Rs. 118.8 million in the quarter ended June 30, 2005 to Rs. 327.3 million in the quarter ended June 30, 2006, primarily reflecting an increase of Rs. 202.8 million on account of subcontract payments of LAPPL and Rs. 36.6 million in subcontract work related to the National Highway Authority of India Project for the quarter ended June 30, 2006.

Construction, Generation and Operating Expenses. Construction, generation and operating expenses increased by 1,074.3% from Rs. 43.6 million in the quarter ended June 30, 2005 to Rs. 512.0 million in the quarter ended June 30, 2006, primarily due to consolidation of the operating expenses of Subsidiaries, namely power trading expenses of LEUL amounting to Rs. 439.1 million, operating expenses of CPCL amounting to Rs. 7.1 million and operating expenses of APCL amounting to Rs. 48.0 million, partially offset by a decrease in construction expenses from Rs. 42.4 million in the quarter ended June 30, 2005 to Rs. 8.1 million in the quarter ended June 30, 2006 primarily due to increase in closing work in progress of Rs. 24.6 million.

Administration and Other Expenses. Administration and other expenses increased by 275.0% from Rs. 11.6 million in the quarter ended June 30, 2005 to Rs. 43.5 million in the quarter ended June 30, 2006, primarily reflecting an increase in employee cost from Rs. 6.6 million to Rs. 21.6 million in the quarter ended June 30, 2006, due to an increase in headcount and other administration expenses on account of an increase in contract operations and the consolidation of administration and other expenses of the Subsidiaries amounting to Rs. 15.2 million in the quarter ended June 30, 2006.

Interest and Finance Charges. Interest and finance charges increased by 646.1% from Rs. 7.6 million in the quarter ended June 30, 2005 to Rs. 56.7 million in the quarter ended June 30, 2006, primarily due to an increase in interest on term loans from Rs. 0.4 million to Rs. 60.2 million on account of higher term loans and cash credit facilities availed in the quarter ended June 30, 2006 and the consolidation of interest and finance charges of the Subsidiaries amounting to Rs. 22.2 million in the quarter ended June 30, 2006.

Loss on Sale of Assets (Net). Loss on sale of assets (net) increased by 100.0% from Rs. 0.2 million in the quarter ended June 30, 2005 to Rs. 0.4 million in the quarter ended June 30, 2006, primarily reflecting a loss of Rs. 0.4 million on sale of assets.

Depreciation. Depreciation increased by 532.6% from Rs. 4.6 million in the quarter ended June 30, 2005 to Rs. 29.1 million in the quarter ended June 30, 2006, primarily reflecting an increase in fixed assets by Rs. 8.4 million in the quarter ended June 30, 2006 and the consolidation of depreciation of Subsidiaries in the quarter ended June 30, 2006.

Profit Before Taxation and Before Minority Interest/Share of Profits of Associates. As a result of the foregoing, profit before taxation and before minority interest and share of profits of associates increased by 863.0% from Rs. 14.6 million in the quarter ended June 30, 2005 to Rs. 140.6 million in the quarter ended June 30, 2006.

Total Taxation. Tax liability increased by 1,291.2% from Rs. 3.4 million in the quarter ended June 30, 2005 to Rs. 47.3 million in the quarter ended June 30, 2006, primarily due to an increase in the provision for current taxation from Rs. 6.8 million in the quarter ended June 30, 2005 to Rs. 48.7 million in the quarter ended June 30, 2006 due to consolidation of taxation of Subsidiaries, which was partially offset by a decrease in deferred tax liability from Rs. 3.5 million to Rs. 1.6 million due to reversal of deferred tax liability on account of timing differences arising on depreciation.

Share of Profits of Associates (Net). Share of profits of associates (net) in the quarter ended June 30, 2006 primarily represents our share of profits of LKPPL and GLPPL, and share of APCL for the period from April 1, 2006 to June 6, 2006. Share of profits of associates (net) increased from Rs. 17.7 million in the quarter ended June 30, 2005 to Rs. 38.2 million in the quarter ended June 30, 2006, primarily due to the inclusion of a higher share of profits from LKPPL and an additional share of profits from GLPPL, which was deemed our associate companies for the first time during the quarter ended June 30, 2006.

Minority Interest. We had a minority interest of Rs. 0.9 million in the quarter ended June 30, 2006 due to interest of minority shareholders in operating subsidiaries of RESL and APCL, which were consolidated with LITL diving the quarter ended June 30, 2006. We had a minority interest of Rs. nil in the quarter ended June 30, 2005 as our only subsidiary with minority interest, LAPPL, was not yet in operation in the quarter ended June 30, 2005.

Net Profit After Taxation. Minority Interest and Share of Profits of Associates. As a result of the foregoing, our net profit after taxation, minority interest and share of profits of associates increased by 351.9% from Rs. 28.9 million in the quarter ended June 30, 2005 to Rs. 130.6 million in the quarter ended June 30, 2006.

Comparison of the year ended March 31, 2006 with the year ended March 31, 2005

Sales and Operating Income. Sales and operating income decreased by 20.0% from Rs. 1,839.2 million in fiscal 2005 to Rs. 1,471.0 million in fiscal 2006. This decrease primarily reflected a 34.1% decrease in income from construction contracts from Rs. 1,694.0 million in fiscal 2005 to Rs. 1,116.8 million in fiscal 2006, constituting income primarily from the Aban Power Project, which was completed in August 2005. Income from sale of electrical energy also decreased from Rs. 145.1 million in fiscal 2005 to Rs. 24.0 million in fiscal 2006 due to the income from RESL (which was consolidated in fiscal 2005) being reflected as share of the profits of associate as a consequence of dilution of LITL's shareholding in RESL from 54.3% in fiscal 2005 to 45.7% in fiscal 2006. Sales and operating income for fiscal 2006 also included income of Rs. 280.5 million from our trading activity, income of Rs. 34.0 million from trade and investments, and profit from sale of investments of Rs. 15.6 million.

Other Income. Other income decreased by 5.8% from Rs. 13.7 million in fiscal 2005 to Rs. 12.9 million in fiscal 2006, primarily reflecting a decrease in miscellaneous income from Rs. 6.2 million in fiscal 2005 to Rs. 3.5 million in fiscal 2006. Also, due to the completion of the Aban Power Project, for which we received deemed export benefits of Rs. 4.9 million in 2005, there were no deemed export benefits in 2006. The decrease in miscellaneous income and deemed export benefits was offset by an increase in interest received on deposits due to an increase in deposits held with banks.

Subcontract Cost and Other Construction Cost. Subcontract cost and other construction cost decreased by 2.4% from Rs. 760.4 million in fiscal 2005 to Rs. 742.2 million in fiscal 2006, primarily reflecting a decrease in construction contracts executed on a subcontract basis in fiscal 2006.

Generation and Operating Expenses. Generation and operating expenses decreased by 40.1% from Rs. 862.5 million in fiscal 2005 to Rs. 516.2 million in fiscal 2006, primarily reflecting a decrease in construction expenses from Rs. 659.2 million in fiscal 2005 to Rs. 266.1 million in fiscal 2006 due to completion of the Aban project, and a decrease in raw material expenses due to deconsolidation of RESL in fiscal 2006. The decrease in construction and raw material expenses was partially offset by the increased cost of traded goods of our trading activity of Rs. 280.2 million in fiscal 2006. Generation and operating expenses as a percentage of total revenue decreased from 46.6% in fiscal 2005 to 34.8% in fiscal 2006.

Administration and Other Expenses. Administration and other expenses decreased by 17.8% from Rs. 54.9 million in fiscal 2005 to Rs. 45.1 million in fiscal 2006, primarily reflecting a capitalisation of development and administration expenditures relating to the Hyderabad Property Project, partially offset by an increase in employee cost. The increase in employee cost was due to expenses related to employees that had been previously seconded to our non-consolidated joint venture projects (at which time their salaries and benefits are paid by the joint venture projects). When such projects are completed and such employees are transferred back to us, we must recommence paying their salaries and benefits.

Interest and Finance Charges. Interest and finance charges decreased by 40.0% from Rs. 60.5 million in fiscal 2005 to Rs. 36.3 million in fiscal 2006, primarily due to reduction in bank and other finance charges relating to the Rithwik Power Plant of Rs. 18.1 million in fiscal 2005, as RESL ceased to be a consolidated subsidiary in fiscal 2006, and repayment of loans of Rs. 30.4 million.

Loss on Sale of Assets (Net). Loss on sale of assets (net) decreased by 99.6% from Rs. 48.0 million in fiscal 2005 to Rs. 0.2 million in fiscal 2006, primarily reflecting lower sale of construction equipment assets in fiscal 2006 as compared to fiscal 2005.

Depreciation. Depreciation decreased by 52.7% from Rs. 40.0 million in fiscal 2005 to Rs. 18.9 million in fiscal 2006, primarily reflecting a decrease in fixed assets due to deconsolidation of RESL in fiscal 2006.

Profit Before Taxation and Before Minority Interest/Share of Profits of Associates. As a result of the foregoing, profit before taxation and before minority interest and share of profits of associates increased by 369.9% from Rs. 26.6 million in fiscal 2005 to Rs. 125.0 million in fiscal 2006.

Total Taxation. Compared to a tax asset of Rs. 6.1 million in fiscal 2005 we had a tax liability of Rs. 33.5 million in fiscal 2006. This was primarily due to a reversal of deferred tax liability of Rs. 29.6 million in fiscal 2005 compared to Rs. 6.8 million in fiscal 2006. In addition, total tax for fiscal 2006 included fringe benefits tax which was introduced during fiscal 2006.

Share of Profits of Associates (Net). Share of profits of associates (net) in fiscal 2006 primarily represents our share of profits of LKPPL, RESL, CPCL and APCL. Share of profits of associate (net) increased from Rs. 64.4 million in fiscal 2005 to Rs. 79.1 million in fiscal 2006 primarily due to addition of profits from APCL and CPCL's operations and RESL's profits being reflected as profits from associates due to deconsolidation of RESL in fiscal 2006.

Minority Interest. Minority interest in fiscal 2006 was Rs. 0.03 million, primarily due to dilution of LITL's shareholding in RESL whereupon its status changed from a subsidiary to an associate company during fiscal 2006.

Net Profit After Taxation, Minority Interest and Share of Profits of Associates. As a result of the foregoing, the net profit after taxation, minority interest and share of profits of associates increased by 84.4% from Rs. 92.5 million in fiscal 2005 to Rs. 170.7 million in fiscal 2006.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2004

Sales and Operating Income. Sales and operating income increased by 42.3% from Rs. 1,292.6 million in fiscal 2004 to Rs. 1,839.2 million in fiscal 2005, primarily reflecting an increase in income from construction contracts from Rs. 1,150.9 million in fiscal 2004 to Rs. 1,694.1 million in fiscal 2005, constituting income primarily from the Aban project, which was completed in August 2005. Income from sale of electrical energy increased slightly from Rs. 141.6 million in fiscal 2004 to Rs. 145.1 million in fiscal 2005 due to increase in income from the Rithwik Power Plant.

Other Income. Other income decreased by 9.2% from Rs. 15.1 million in fiscal 2004 to Rs. 13.7 million in fiscal 2005, primarily reflecting a decrease in income from interest on deposits due to a reduction in deposits and a decrease in miscellaneous income, partially offset by an increase in deemed export benefits of Rs. 4.8 million in fiscal 2005 in relation to the Aban EPC contract executed by us in fiscal 2005.

Subcontract Cost and Other Construction Cost. Subcontract cost and other construction cost increased by 16.8% from Rs. 651.3 million in fiscal 2004 to Rs. 760.4 million in fiscal 2005, primarily reflecting an increase in subcontract work related to the National Highways Authority of India project and civil works related to the Aban project.

Generation and Operating Expenses. Generation and operating expenses increased by 118.4% from Rs. 394.8 million in fiscal 2004 to Rs. 862.4 million in fiscal 2005, primarily reflecting an increase in construction expenses from Rs. 391.6 million in fiscal 2004 to Rs. 659.2 million in fiscal 2005 due to expenses related to Aban EPC contracts executed by us.

Administration and Other Expenses. Administration and other expenses decreased by 28.2% from Rs. 76.5 million in fiscal 2004 to Rs. 54.9 million in fiscal 2005, primarily reflecting a decrease in employee cost from Rs. 27.5 million in fiscal 2004 to Rs. 14.3 million in fiscal 2005 due to secondment of our employees to our joint venture projects, partially offset by increases in consultancy and professional charges.

Interest and Finance Charges. Interest and finance charges decreased by 22.9% from Rs. 78.5 million in fiscal 2004 to Rs. 60.5 million in fiscal 2005, primarily reflecting a decrease in other interest on advances received for execution of construction contracts and a decrease in bank and other finance charges, partially offset by an increase in interest on term loans.

Loss on Sale of Assets (Net). Loss on sale of assets (net) increased by 260.9% from Rs. 13.3 million in fiscal 2004 to Rs. 48.0 million in fiscal 2005, primarily reflecting loss on sale of construction equipment.

Depreciation. Depreciation decreased by 1.7% from Rs. 40.7 million in fiscal 2004 to Rs. 40.0 million in fiscal 2005, primarily reflecting a decrease in fixed assets due to the sale of construction equipment in fiscal 2005.

Profit Before Taxation and Before Minority Interest and Share of Profits of Associates. As a result of the foregoing, profit before taxation and before minority interest and share of profits of associates decreased by 49.4% from Rs. 52.6 million in fiscal 2004 to Rs. 26.6 million in fiscal 2005.

Total Taxation. We had a tax asset of Rs. 6.1 million in fiscal 2005 compared to a tax liability of Rs. 18.0 million in fiscal 2004 due to a reversal of deferred tax liability of Rs. 29.6 million in fiscal 2005 compared to Rs. 2.5 million in fiscal 2004.

Share of Profits of Associates (Net). Share of profits of associates (net) in fiscal 2005 primarily represents our share of profits of LKPPL, CPCL and RESL (which became our associate company in March 2005). Share of profits of associate increased from Rs. 42.4 million in fiscal 2004 to Rs. 64.4 million in fiscal 2005, primarily due to increased profits from LKPPL.

Minority Interest. Minority interests represent the interest of minority shareholders in RESL. Minority interest in the profits decreased by 25.8% from Rs. 6.2 million in fiscal 2004 to Rs. 4.6 million in fiscal 2005, primarily due to lower profits of RESL.

Net Profit After Taxation, Minority Interest and Share of Profits of Associates. As a result of the foregoing, the net profit after taxation, minority interest and share of profits of associates increased by 30.8% from Rs. 70.7 million in fiscal 2004 to Rs. 92.5 million in fiscal 2006.

Comparison of the year ended March 31, 2004 with the year ended March 31, 2003

Sales and Operating Income. Sales and operating income decreased by 25.9% from Rs. 1,745.6 million in fiscal 2003 to Rs. 1,292.6 million in fiscal 2004, primarily reflecting a decrease in income from construction contracts due to fewer projects in fiscal 2004, partially offset by income from sale of electrical energy by RESL, which was consolidated with the results of LITL in January 2004.

Other Income. Other income increased by 46.6% from Rs. 10.3 million in fiscal 2003 to Rs. 15.1 million in fiscal 2004, primarily reflecting an increase in income from interest on deposits from Rs. 2.9 million in fiscal 2003 to Rs. 6.0 million in fiscal 2004 and an increase in miscellaneous income from Rs. 2.4 million in fiscal 2003 to Rs. 9.0 million in fiscal 2004 partially offset by a reduction of Rs. 5.0 million in deemed export benefits in fiscal 2004.

Subcontract Cost and Other Construction Cost. Subcontract cost and other construction cost decreased by 35.1% from Rs. 1,003.2 million in fiscal 2003 to Rs. 651.3 million in fiscal 2004, primarily reflecting a decrease in construction contracts due to fewer projects in fiscal 2004.

Generation and Operating Expenses. Generation and operating expenses decreased by 14.8% from Rs. 463.4 million in fiscal 2003 to Rs 394.8 million in fiscal 2004, primarily reflecting a decrease in site expenses from Rs. 66.4 million in fiscal 2003 to Rs. 3.4 million in fiscal 2004 due to decrease in construction contracts and a decrease in operating expenses from Rs. 376.3 million in fiscal 2003 to Rs. 302.2 million in fiscal 2004 due to fewer projects undertaken by us in 2004, partially offset by raw material expenses of Rs. 63.5 million in fiscal 2004 due to the consolidation of generation and operating expenses of RESL.

Administration and Other Expenses. Administration and other expenses decreased by 52.7% from Rs. 161.8 million in fiscal 2003 to Rs. 76.5 million in fiscal 2004, primarily reflecting a decrease in employee cost from Rs. 52.7 million in fiscal 2003 to Rs. 27.5 million in fiscal 2004 due to secondment of employees to our joint venture projects, a decrease in sales tax from Rs. 16.8 million in fiscal 2003 to Rs. 7.9 million in fiscal 2004 due to a decrease in construction contracts, a decrease in provision for doubtful debts from Rs. 34.1 million in fiscal 2003 to Rs. 2.3 million in fiscal 2004 and a decrease in travelling and conveyance expenses from Rs. 20.7 million in fiscal 2003 to Rs. 4.2 million in fiscal 2004.

Interest and Finance Charges. Interest and finance charges increased by 189.7% from Rs. 27.1 million in fiscal 2003 to Rs. 78.5 million in fiscal 2004, primarily reflecting an increase in interest on term loans from Rs. 9.2 million in fiscal 2003 to Rs. 25.1 million in fiscal 2004 due to incurrence of a term loan of Rs. 200.0 million in fiscal 2004 and an increase in bank and other finance charges from Rs. 11.2 million in fiscal 2003 to Rs. 27.8 million in fiscal 2004.

Loss on Sale of Assets (Net). Loss on sale of assets (net) increased by 633.3% from Rs. 1.8 million in fiscal 2003 to Rs. 13.2 million in fiscal 2004, primarily due to the sale of construction equipment.

Depreciation. Depreciation increased by 70.3% from Rs. 23.9 million in fiscal 2003 to Rs. 40.7 million in fiscal 2004, primarily due to increase in fixed assets due to the consolidation of RESL in fiscal 2004.

Profit Before Taxation and Before Minority Interest and Share of Profits of Associates. As a result of the foregoing, profit before taxation and before minority interest and share of profits of associates decreased by 29.6% from Rs. 74.7 million in fiscal 2003 to Rs. 52.6 million in fiscal 2004.

Total Tax. Total tax decreased by 36.8% from Rs. 28.5 million in fiscal 2003 to Rs. 18.0 million in fiscal 2004 due to lower profits and a reversal of deferred tax liability of Rs. 2.4 million in fiscal 2004 compared to a deferred tax liability of Rs. 13.8 million in fiscal 2003.

Share of Profits of Associates (Net). Share of profits of associates (net) in fiscal 2004 primarily represents our share of profits of LKPPL and CPCL. Share of profits of associate (net) decreased from Rs. 49.6 million in fiscal 2003 to Rs. 42.4 million in fiscal 2004 primarily due to lower profits of LKPPL and CPCL.

Minority Interest. Minority interests of Rs. 6.2 million in 2004 represented the interest of minority shareholders in RESL which became a consolidated subsidiary in 2004.

Net Profit After Taxation, Minority Interest and Share of Profits of Associates. As a result of the foregoing, the net profit after taxation, minority interest and share of profits of associates decreased by 26.2% from Rs. 95.8 million in fiscal 2003 to Rs. 70.8 million in fiscal 2004.

Cash Flow Data for LITL

(Rs. in million)

	For the years ended March 31,			For the quarter ended June 30, 2006
	2004	**2005**	**2006**	
Net Cash Flow from (used in) Operating Activities	145.5	(372.6)	(99.7)	(309.6)
Net Cash Flow from (used in) Investing Activities	(528.9)	488.5	(541.3)	(9,134.7)
Net Cash Flow from Financing Activities	338.3	112.8	695.4	9,917.0
Net increase (decrease) in Cash and Cash Equivalents	(45.1)	228.7	54.5	472.7

Cash Flow from (used in) Operating Activities

Quarter ended June 30, 2006. Net cash used in operating activities for the quarter ended June 30, 2006 was Rs. 309.6 million which was primarily due to cash generated from operations Rs. 171.6 million and adjusted for an increase in current liabilities by Rs. 1,359.2 million, being more than offset by an increase in inventories of Rs. 404.9 million, an increase in trade and other receivables of Rs 1,375.6 million and direct taxes paid of Rs. 59.9 million.

Fiscal 2006. Net cash used in operating activities was Rs. 99.7 million in fiscal 2006, which was primarily due to cash generated from operations before working capital of Rs. 171.1 million and adjusted for an increase in current liabilities of Rs. 1,249.8 million, being more than offset by an increase in inventories of Rs. 77.4 million, an increase in trade and other receivables of Rs. 1,395.5 million and direct taxes paid of Rs. 47.6 million.

Fiscal 2005. Net cash used in operating activities was Rs. 372.6 million in fiscal 2005, which was primarily due to cash generated from operations before working capital of Rs. 172.5 million and a decrease in inventories of Rs. 113.7 million, being more than offset by an increase in trade and other receivables of Rs. 366.3 million, direct taxes paid of Rs. 8.3 million and a decrease in current liabilities of Rs. 284.3 million.

Fiscal 2004. Net cash from operating activities was Rs. 145.5 million in fiscal 2004, which was primarily due to cash generated from operations before working capital of Rs. 179.0 million and a decrease in trade and other receivables of Rs. 166.1 million, partially offset by an increase in inventories of Rs. 71.8 million, a decrease in current liabilities of Rs. 47.2 million and direct taxes paid of Rs. 80.6 million.

Cash Flow from (used in) Investing Activities

Quarter ended June 30, 2006. Net cash used in investing activities for the quarter ended June 30, 2006 was Rs. 9,134.7 million, primarily due to purchase of fixed assets (net) of Rs. 8,588.9 million, purchase of investments (net) of Rs. 542.0 million and interest paid of Rs. 3.9 million.

Fiscal 2006. Net cash used in investing activities was Rs. 541.3 million in fiscal 2006, which was primarily due to net purchase of fixed assets of Rs. 210.9 million and net purchase of investments of Rs. 339.6 million, partially offset by interest receipts of Rs. 9.3 million.

Fiscal 2005. Net cash from investing activities was Rs. 488.5 million in fiscal 2005, which was primarily due to net sale of fixed assets of Rs. 198.0 million and net sale of investments of Rs. 287.8 million, partially offset by interest receipts of Rs. 2.7 million.

Fiscal 2004. Net cash used in investing activities was Rs. 528.9 million in fiscal 2004, which was primarily due to net purchase of fixed assets of Rs. 236.9 million and net purchase of investments of Rs. 298.0 million, partially offset by interest receipts of Rs. 6.1 million.

Cash Flow from Financing Activities

Quarter ended June 30, 2006. Net cash from financing activities for the quarter ended June 30, 2006 was Rs. 9,917.3 million, primarily due to proceeds received from inflows on account of issue of equity shares by LITL of Rs. 1,916.0 million, proceeds received from equity issuances to minority shareholders by other subsidiaries of Rs. 642.6 million and net proceeds from borrowings of Rs. 7,408.7 million, partially offset by interest payments of Rs. 50.4 million.

Fiscal 2006. Net cash from financing activities was Rs. 695.4 million in fiscal 2006, which was primarily due to inflows on account of issue of equity shares in consolidated Subsidiaries of Rs. 96.9 million and net proceeds from borrowings of Rs. 634.8 million, partially offset by interest payments of Rs. 36.3 million.

Fiscal 2005. Net cash from financing activities was Rs. 112.8 million in fiscal 2005, which was primarily due to net proceeds from borrowings of Rs. 185.5 million, partially offset by a decrease in common stock of consolidated Subsidiaries of Rs. 12.2 million and interest payments of Rs. 60.5 million.

Fiscal 2004. Net cash from financing activities was Rs. 338.3 million in fiscal 2004, which was primarily due to inflows on account of issue of equity shares in consolidated Subsidiaries of Rs. 42.3 million and net proceeds from borrowings of Rs. 374.5 million, partially offset by interest payments of Rs. 78.5 million.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

Some of LITL's contractual obligations, including purchase obligations, may result in future cash requirements.

As of June 30, 2006, the aggregate amount of outstanding secured loans and unsecured loans of LITL was Rs. 8,456.5 million and Rs. 350.0 million, respectively. Secured loans of LITL include trade credit facilities of Rs. 438.8 million.

Some of the contractual obligations, including purchase obligations, are not generally required to be recognised as liabilities in the balance sheet. The following table summarises contractual obligations and commitments to make future payments for LITL as of June 30, 2006, and the effect of such obligations and commitments are expected to have on LITL's liquidity and cash flow in future periods:

	As of June 30, 2006				
	Payment Due by Period (Amount in Rs./ US $ million)				
	Total	**Within 1 year**	**Second Year**	**Third to Fifth Year**	**After Five Years**
Long-term bank loans					
Rupee Loans	Rs. 7,548.3	Rs. 732.9	Rs. 320.3	Rs. 3,605.1	Rs. 2,890.0
Foreign Currency Loans (US $ in million)	US $ 19.7	US $ 2.1	US $ 2.1	US $ 6.4	US $ 9.1
Unsecured loans	Rs. 350.0	Rs. 150.0	-	Rs. 200.0	-
Total contractual obligations					
Rupee Obligations	Rs. 7,898.3	Rs. 882.9	Rs. 320.3	Rs. 3,805.2	Rs. 2,890.0
US $ Obligations	US $ 19.7	US $ 2.1	US $ 2.1	US $ 6.4	US $ 9.1

The table below sets out the details of our off balance sheet items and contingent liabilities:

(Rs. in million)

	As of June 30, 2006
Bank Guarantees outstanding	566.5
Corporate Guarantees outstanding	6,615.9
Entry Tax Liability	10.4
Income Tax Liability	15.5
Letter of Credit	340.6
Sales Tax Liability	1.4
Additional Customs Duty	8.9

Except as disclosed above and under the section titled "Related Party Transactions" and "Outstanding Litigation and Defaults" there are no other off-balance sheet arrangements or contingent liabilities that have or are reasonably likely to have a current or future effect on the financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of LITL that we believe are material to investors.

Results of Operations of Lanco Kondapalli Power Private Limited ("LKPPL") and Aban Power Company Limited ("APCL")

Set forth below is a discussion of the historical income statements, cash flow statements and certain balance sheet items of LKPPL and APCL. Neither LKPPL nor APCL were consolidated subsidiaries of LITL in the five fiscal years through fiscal 2006. Following the acquisition of APCL as part of our reorganisation, APCL became a consolidated subsidiary as of June 7, 2006. We have agreed to acquire additional shares in LKPPL so that LKPPL will become a consolidated subsidiary of LITL from the date of acquisition, which is expected to occur by the end of the quarter ending December 31, 2006.

Results of Operations of LKPPL

Overview of Results of Operations for LKPPL

We currently hold a 33.9% stake in LKPPL and have entered into a share purchase agreement to purchase an additional 25.1% equity stake of LKPPL from Globeleq for a consideration of US$30.0 million (Rs. 1,394.7.0 million), subject to conditions, by the end of the quarter ending December 31, 2006 and upon financial closure, would give us a controlling interest in LKPPL. The following table sets forth certain information with respect to revenues, expenditures and profits for LKPPL for the periods indicated.

Particulars	For the year ended March 31								For the quarter ended June 30			
	2003		2004		2005		2006		2005		2006	
	Amount in Rs. million	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*
Income												
Sale of Electrical Energy (Less Rebate)	5,642.7	97.4	5,528.2	98.3%	5,597.0	98.5%	5,558.2	98.4%	1,350.9	98.5%	1,410.5	98.1%
Other Income	149.1	2.6	97.1	1.7%	84.2	1.5%	92.3	1.6%	19.9	1.5%	26.5	1.9%
Total Income	**5,791.8**	**100%**	**5,625.3**	**100%**	**5,681.2**	**100%**	**5,650.5**	**100%**	**1,370.8**	**100%**	**1,437.1**	**100%**
Expenditure												
Generation Expenses	2,976.9	51.4	2,984.2	53.0%	2,995.3	52.7%	3,052.7	54.0%	725.1	52.9%	800.5	55.7%
Administrative and Other Expenses	185.4	3.2	209.0	3.7%	170.8	3.0%	153.5	2.7%	36.5	2.7%	45.6	3.2%
Interest and Finance Charges	985.2	17.0	822.5	14.6%	597.2	10.5%	445.5	7.9%	112.2	8.2%	101.8	7.1%
Depreciation	875.5	15.1	865.9	15.4%	843.2	14.8%	832.0	14.7%	208.0	15.2%	210.0	14.6%
Total Expenditure	**5,022.9**	**86.7**	**4,881.6**	**86.8%**	**4,606.4**	**81.1%**	**4,483.7**	**79.4%**	**1,081.8**	**78.9%**	**1,157.9**	**80.6%**
Profit Before Taxation	**768.9**	**13.3%**	**743.7**	**13.2%**	**1,074.8**	**18.9%**	**1,166.8**	**20.6%**	**289**	**21.1%**	**279.2**	**19.4%**

Particulars	For the year ended March 31								For the quarter ended June 30			
	2003		2004		2005		2006		2005		2006	
	Amount in Rs. million	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*
Provision for taxation												
Current	60.6	1.0%	56.6	1.0%	84.9	1.5%	98.2	1.7%	24.3	1.8%	31.3	2.2%
Deferred	-	-	87.2	1.6%	(87.2)	(1.5%)	-	-	-	-	-	-
Fringe Benefit Tax	-	-	-	-	-	-	0.7	-	0.2	-	0.2	-
Total Tax	60.6	1.0%	143.8	2.6%	(2.3)	(0.0%)	98.9	1.7%	24.5	1.8%	31.5	2.2%
Profit After Taxation as per audited statement of accounts	**708.4**	**12.2%**	**599.9**	**10.7%**	**1,077.1**	**19.0%**	**1,067.9**	**18.9%**	**264.5**	**19.3%**	**247.7**	**17.2%**

Sale of Electrical Energy (Less Rebate)

For fiscal 2003, 2004, 2005 and 2006 and the quarters ended June 30, 2005 and June 30, 2006, sale of electrical energy (less rebate) for LKPPL consists of fixed and variable components of electricity tariff charged to APTRANSCO (offtaker) under the terms of the PPA with APTRANSCO. From June 10, 2005, the obligations of APTRANSCO under the PPA were transferred to four state-owned distribution companies in a specified ratio. However, for operational convenience and the smooth functioning of power trading activity in the State of Andhra Pradesh, GoAP formed the Andhra Pradesh Power Co-ordination Committee ("APPCC"), which consists of the CMDs of the four distribution companies and the CMD of APTRANSCO. Accordingly, income from the Kondapalli Power Plant is now derived from LKPPL's contractual arrangement with APPCC. The capacity charge, which is computed based on the formula provided in the PPA, is dependent on the PLF and plant availability. The energy charge, which is computed based on the formula provided in the PPA, is dependent on the price of natural gas supplied by GAIL and Actual PLF in a settlement period.

Sale of electrical energy (less rebate) as a percentage of total income was 97.4%, 98.3%, 98.5% and 98.4% in fiscal 2003, 2004, 2005 and 2006, respectively. For the quarters ended June 30, 2005 and June 30, 2006, sale of electrical energy (less rebate) as a percentage of total income was 98.5% and 98.1%, respectively.

Other Income

Other income is derived from interest received on loans, deposits and bonds, profit on the sale of investments, net profit on the sale of assets, gain on foreign exchange fluctuations on forward contracts and miscellaneous income. Other income as a percentage of total income was 2.6%, 1.7%, 1.5% and 1.6% in fiscal 2003, 2004, 2005 and 2006, respectively. For the quarters ended June 30, 2005 and June 30, 2006, other income as a percentage of total income was 1.5% and 1.9%, respectively.

Expenditures

LKPPL's expenditures have the following major components: generation expenses (including fuel consumption, operations and maintenance, repairs and maintenance for factory buildings and other expenses); administration and other expenses (including salaries, allowances and benefits to employees, contributions to provident and other funds, staff welfare, rent, rates and taxes, insurance, directors' sitting fees, repairs and maintenance other than for factory buildings, electricity charges, consultancy and other professional charges and other miscellaneous expenses); interest and finance charges and depreciation. LKPPL's total expenditure for fiscal 2003, 2004, 2005 and 2006 was Rs. 5,022.9 million, Rs. 4,881.6 million, Rs. 4,606.4 million and Rs. 4,483.7 million, respectively. For the quarters ended June 30, 2005 and June 30, 2006, LKPPL's total expenditure was Rs. 1,081.8 million and Rs. 1,157.9 million, respectively.

Taxes

Income taxes are accounted for in accordance with Accounting Standard – 22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise both current and deferred taxes.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits admissible under the provisions of the Income Tax Act 1961. Please see "Statement of Possible Tax Benefits Available to the Company and its Shareholders" on page 41 of this Red Herring Prospectus for further details of tax benefits.

LKPPL is entitled to certain tax benefits under the provisions of section 80IA of Income Tax Act 1961, whereby the entire taxable profits of LKPPL are exempt from tax in ten out of fifteen assessment years, at the option of LKPPL, commencing from the date of operation of the Kondapalli Power Plant.

Deferred tax arises from the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods and is measured using the tax rates and laws that have been enacted or subsequently enacted as on the date of the financial statements. We provide for deferred tax liability on such timing differences subject to prudent considerations in respect of deferred tax assets. The significant timing differences include the difference in depreciation as per books of accounts and Income Tax Act 1961. Deferred tax arising on timing differences between book profits and tax profits has not been accounted from fiscal 2005 as there are no such timing differences and all timing differences are capable of reversal within the tax holiday period.

Total tax expense (reversal) for fiscal 2003, 2004, 2005 and 2006 was Rs. 60.5 million, Rs. 143.8 million, Rs. (2.3) million and Rs. 98.9 million, respectively. Total tax expense (reversal) for the quarters ended June 30, 2005 and June 30, 2006 was Rs. 24.5 million and Rs. 31.5 million, respectively.

Restatements

The restated financial information for each of fiscal 2003, 2004, 2005 and 2006 and the quarters ended June 30, 2005 and June 30, 2006 has been presented in compliance with paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI guidelines. The effect of such restatements is that the previous years' financial statements included in this Red Herring Prospectus have been restated to conform to methods used in preparing the latest financial statements, as well as to conform to any changes in accounting policies and estimates. The cumulative effect of these adjustments for fiscal 2003, 2004, 2005 and 2006 was Rs. (2.7) million, Rs. (2.7) million, Rs. 10.3 million and Rs. (1.2) million, respectively. The cumulative effect of these adjustments for the quarters ended June 30, 2005 and June 30, 2006 was Rs. nil and Rs. nil, respectively. The principal adjustments to LKPPL's financial statements, including on account of changes in accounting policies and estimates, are described below:

Restatements/regroupings arising out of change in accounting policies for the following periods:

Particulars	For the year ended March 31								For the quarter ended June 30			
	2003		2004		2005		2006		2005		2006	
	Amount in Rs. million	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*	*Amount in Rs. million*	*% of Total Income*
Profit After Taxation as per Audited Statement of accounts– (A)	708.4	12.2%	600.0	10.7%	1,077.1	18.9%	1,067.9	18.9%	264.5	19.3%	247.7	18.1%
Adjustments on account of prior period items	(2.9)	-	(3.0)	(0.1)%	11.2	0.2%	(1.3)	-	NIL	-	NIL	-
On account of incorrect accounting policies	NIL	-	NIL	-	NIL	-	NIL	-	NIL	-	NIL	-
Tax impact on adjustments	0.3	-	0.3	-	(1.0)	-	0.1	-	NIL	-	NIL	-
Total Adjustments net of tax impact – (B)	(2.7)	-	(2.7)	-	10.3	0.2%	(1.2)	-	NIL	-	NIL	-
Net Adjusted Profit (A+B)	705.7	12.2%	597.2	10.6%	1,087.4	19.1%	1,066.7	18.9%	264.5	19.3%	247.7	18.1%

Changes in Accounting Policies and Estimates.

Adjustments on account of material adjustments and prior period items

For the years ended March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006, adjustments on account of prior period items represent expenses and income restated to the respective years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.

Tax Impact on Adjustments

The impact of tax on account of the above adjustments was Rs. 0.3 million, Rs. 0.3 million, Rs. 1.0 million and Rs. 0.1 million for the years ended March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006, respectively, and Rs. nil for each of the periods ended June 30, 2005 and June 30, 2006. Our current tax expenses in each of the above periods have been recomputed and adjusted in order to reflect the changes discussed above.

Net Adjusted Profit. As a result of the foregoing adjustments, net adjusted profit for fiscal 2003, 2004, 2005 and 2006 was Rs. 705.7 million, Rs. 597.2 million, Rs. 1,087.4 million and Rs. 1,066.7 million, respectively. Net adjusted profit for the quarters ended June 30, 2005 and June 30, 2006 was Rs. 264.5 million and Rs. 247.7 million.

Comparison of the quarter ended June 30, 2006 with the quarter ended June 30, 2005

Sale of Electrical Energy (Less Rebate). Sale of electrical energy (less rebate) increased by 4.4% from Rs. 1,350.9 million in the quarter ended June 30, 2005 to Rs. 1,410.5 million in the quarter ended June 30, 2006, primarily reflecting an increase in the variable component of revenues under the Kondapalli PPA due to increase in gas price and an increase in reimbursement of foreign debt service charge due to depreciation of the Indian Rupee against the US Dollar.

Other Income. Other income increased by 33.2% from Rs. 19.9 million in the quarter ended June 30, 2005 to Rs. 26.5 million in the quarter ended June 30, 2006, primarily reflecting higher interest earned on bank deposits and income from investments in mutual funds.

Generation Expenses. Generation expenses increased by 10.4% from Rs. 725.1 million in the quarter ended June 30, 2005 to Rs. 800.5 million in the quarter ended June 30, 2006, primarily reflecting an increase of Rs. 62.1 million in fuel and lubricants cost and an increase of Rs. 18.9 million in operation and maintenance costs. The fuel cost increase is due to increase of government administered price of fuel and lubricants and also increase in gas transmission charges by 3% with effect from April 1, 2006. Further, out of an increase of Rs. 18.9 million in operations and maintenance cost, Rs. 11.6 million is due to provision made for fee payable to operations and maintenance contractors during the quarter ended June 30, 2006 and the balance Rs. 7.3 million is due to increase in consumption of stores and consumable.

Administrative and Other Expenses. Administrative and other expenses increased by 24.9% from Rs. 36.5 million in the quarter ended June 30, 2005 to Rs. 45.6 million in the quarter ended June 30, 2006, primarily reflecting an increase of Rs. 3.5 million in employee salaries and benefits and an increase in insurance, travelling and other administrative expenses.

Interest and Finance Charges. Interest and finance charges decreased by 9.3% from Rs. 112.2 million in the quarter ended June 30, 2005 to Rs. 101.8 million in the quarter ended June 30, 2006, primarily reflecting repayment of term loans, partially offset by increase in working capital interest on account of higher utilisation of limits.

Depreciation. Depreciation increased by 1.0% from Rs. 208.0 million in the quarter ended June 30, 2005 to Rs. 210.0 million in the quarter ended June 30, 2006, primarily due to an increase in the book value of fixed assets on capitalisation of foreign exchange fluctuations arising on restatement and repayment of foreign currency loans taken for the acquisition of such fixed assets.

Profit before Taxation. As a result of the foregoing, profit before taxation decreased by 3.4% from Rs. 289.0 million in the quarter ended June 30, 2005 to Rs. 279.2 million in the quarter ended June 30, 2006.

Total Taxation. Total tax increased by 28.6% from Rs. 24.5 million in the quarter ended June 30, 2005 to Rs. 31.5 million in the quarter ended June 30, 2006, primarily due to a provision for current taxation of Rs. 31.5 million made due to an increase in the rate of minimum alternate tax as applicable to LKPPL in fiscal 2006.

Profit after Taxation. As a result of the foregoing, profit after taxation decreased by 6.4% from Rs. 264.5 million in the quarter ended June 30, 2005 to Rs. 247.7 million in the quarter ended June 30, 2006.

Net Adjusted Profit. Since there were no adjustments, our net adjusted profits for the quarter ended June 30, 2006 and June 30, 2005 remain the same as the profit after taxation for the respective quarters.

Comparison of the year ended March 31, 2006 with the year ended March 31, 2005

Sale of Electrical Energy (Less Rebate). Sale of electrical energy (less rebate) decreased by 0.7% from Rs. 5,597.0 million in fiscal 2005 to Rs. 5,558.2 million in fiscal 2006, primarily reflecting a decrease in the variable component of revenues under the Kondapalli PPA due to a reduction in Actual PLF from 71.6% in fiscal 2005 to 67.1% in fiscal 2006. The Actual PLF decreased due to reduced supply of fuel from GAIL in fiscal 2006.

Other Income. Other income increased by 9.6% from Rs. 84.2 million in fiscal 2005 to Rs. 92.3 million in fiscal 2006, primarily reflecting an increase in income from interest on loans, deposits and bonds from Rs. 65.8 million in fiscal 2005 to Rs. 89.6 million in fiscal 2006, primarily due to higher interest rates on fixed deposits, which was partially offset by a decrease in profit on sale of investments from Rs. 8.0 million in fiscal 2005 to Rs. 2.0 million in fiscal 2006 due to shifting of investments from mutual funds to bank deposits.

Generation Expenses. Generation expenses increased by 1.9% from Rs. 2,995.3 million in fiscal 2005 to Rs. 3,052.7 million in fiscal 2006, primarily reflecting an increase in operations and maintenance expenses from Rs. 271.1 million in fiscal 2005 to Rs. 309.8 million in fiscal 2006.

Administrative and Other Expenses. Administrative and other expenses decreased by 10.1% from Rs. 170.8 million in fiscal

2005 to Rs. 153.5 million in fiscal 2006, primarily reflecting a decrease in insurance expenses from Rs. 104.5 million in fiscal 2005 to Rs. 84.5 million in fiscal 2006 due to lower premium rates attributable to a no claims bonus and lower rates in respect of terrorism insurance. This decrease in insurance expenses was partially offset by increases in employee salaries and benefits, consultancy and other professional charges and other miscellaneous expenses.

Interest and Finance Charges. Interest and finance charges decreased by 25.4% from Rs. 597.2 million in fiscal 2005 to Rs. 445.5 million in fiscal 2006, primarily reflecting decreases in interest costs on fixed loans due to the repayment of long-term debt of Rs. 879.4 million as well as a reduction in interest rates and a reduction in bank and other finance charges paid to lenders from Rs. 90.8 million in fiscal 2005 to Rs. 18.6 million in fiscal 2006 as a substantial portion of loans were refinanced in fiscal 2005. The full benefit of such reduction in interest rates was reflected in fiscal 2006.

Depreciation. Depreciation decreased by 1.3% from Rs. 843.2 million in fiscal 2005 to Rs. 832.0 million in fiscal 2006, primarily due to decrease in book value of fixed assets due to a decrease in foreign currency loans used for purchasing such fixed assets. The decrease in foreign currency loans was due to translation gains as a result of appreciation of the Rupee against the US Dollar which decreased the amount of such loans and the corresponding book value of such fixed assets in LKPPL's balance sheet.

Profit before Taxation. As a result of the foregoing, profit before taxation increased by 8.6% from Rs. 1,074.8 million in fiscal 2005 to Rs. 1,166.8 million in fiscal 2006.

Total Taxation. Total tax increased from Rs. (2.4) million in fiscal 2005 to Rs. 98.9 million in fiscal 2006. This is primarily due to a reversal of deferred tax liability of Rs. 87.2 million in fiscal 2005, whereas there was no such reversal of deferred tax in 2006. In addition, total tax liability for fiscal 2006 is higher due to the imposition of fringe benefits tax from April 1, 2005 and increase in education surcharge.

Profit after Taxation. As a result of the foregoing, profit after taxation decreased by 0.9% from Rs. 1,077.1 million in fiscal 2005 to Rs. 1,067.9 million in fiscal 2006.

Net Adjusted Profit. Our net adjusted profit is a result of restatements made for, among other items, changes in accounting policies. As a result of these adjustments, our net adjusted profit decreased by 1.9% from Rs. 1,087.4 million in fiscal 2005 to Rs. 1,066.7 million in fiscal 2006. Please see the section titled " Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations of Lanco Kondapalli Power Private Limited ("LKPPL") and Aban Power Company Limited ("APCL") - Restatements" on page 234 of this Red Herring Prospectus.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2004

Sale of Electrical Energy (Less Rebate). Sale of electrical energy (less rebate) increased by 1.2% from Rs. 5,528.2 million in fiscal 2004 to Rs. 5,597.0 million in fiscal 2005, primarily reflecting an increase in the variable component of revenues under the Kondapalli PPA due to an increase in the price of natural gas which was passed through to the offtaker and also due to a marginal increase in the Actual PLF from 71.1% in fiscal 2004 to 71.6% in fiscal 2005, partially offset by a decrease in foreign debt service charge due to appreciation of the Rupee against the US Dollar.

Other Income. Other income decreased by 13.3% from Rs. 97.1 million in fiscal 2004 to Rs. 84.2 million in fiscal 2005, primarily reflecting lower interest rates on bank deposits and a reduction in our investments in mutual funds.

Generation Expenses. Generation expenses increased by 0.4% from Rs. 2,984.2 million in fiscal 2004 to Rs. 2,995.3 million in fiscal 2005, primarily reflecting an increase in gas prices and operating and maintenance costs, as the plant was shut down for a scheduled maintenance of the gas turbine.

Administrative and Other Expenses. Administration and other expenses decreased by 18.3% from Rs. 209.0 million in fiscal 2004 to Rs. 170.8 million in fiscal 2005, primarily reflecting a decrease in insurance cost due to lower premiums.

Interest and Finance Charges. Interest and finance charges decreased by 27.4% from Rs. 822.5 million in fiscal 2004 to Rs. 597.2 million in fiscal 2005, primarily reflecting a reduction in our interest rates pursuant to debt refinancing, whereupon we replaced our high cost debt with lower cost debt.

Depreciation. Depreciation decreased by 2.6% from Rs. 865.9 million in fiscal 2004 to Rs. 843.2 million in fiscal 2005, primarily due to decrease in book value of fixed assets due to a decrease in foreign currency loans used for purchasing such fixed assets. The decrease in foreign currency loans was due to translation gains as a result of appreciation of the Rupee against the US Dollar.

Profit before Taxation. As a result of the foregoing, profit before taxation increased by 44.5% from Rs. 743.7 million in fiscal 2004 to Rs. 1,074.8 million in fiscal 2005.

Total Taxation. Total tax decreased from Rs. 143.8 million in fiscal 2004 to Rs. (2.4) million in fiscal 2005, primarily reflecting the reversal of a deferred tax liability.

Profit after Taxation. As a result of the foregoing, profit after taxation increased by 79.5% from Rs. 599.9 million in fiscal 2004 to Rs. 1,077.1 million in fiscal 2005.

Net Adjusted Profit. Our net adjusted profit is a result of restatements made for, among other items, changes in accounting policies. As a result of these adjustments, our net adjusted profit increased by 82.1% from Rs. 597.2 million in fiscal 2004 to Rs. 1,087.4 million in fiscal 2005. Please see the section titled " Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations of Lanco Kondapalli Power Private Limited ("LKPPL") and Aban Power Company Limited ("APCL") - Restatements" on page 234 of this Red Herring Prospectus.

Comparison of the year ended March 31, 2004 with the year ended March 31, 2003

Sale of Electrical Energy (Less Rebate). Sale of electrical energy (less rebate) decreased by 2.0% from Rs. 5,642.7 million in fiscal 2003 to Rs. 5,528.2 million in fiscal 2004, primarily reflecting a decrease of Rs. 104.2 million in the fixed charge component of revenues as well as the variable component of revenues. The decrease in fixed charge component was due to decrease in foreign debt service component of capacity charge due to strengthening of the Rupee against the US Dollar. The decrease in variable component charge was due to decrease in Actual PLF from 78.9% in fiscal 2003 to 71.1% in fiscal 2004, partially offset by an increase in gas price, which was passed through to the offtaker.

Other Income. Other income decreased by 34.9% from Rs. 149.1 million in fiscal 2003 to Rs. 97.1 million in fiscal 2004, primarily reflecting the lower income from sale of investments in fiscal 2004, and shifting of investments from mutual funds to bank deposits. The income from sale of investments was Rs. 101.4 million in fiscal 2003 compared to Rs. 18.5 million in fiscal 2004.

Generation Expenses. Generation expenses increased by 0.2% from Rs. 2,976.9 million in fiscal 2003 to Rs. 2,984.2 million in fiscal 2004. This increase primarily reflects the increase in cost of consumption of fuels and lubricants by Rs. 24.6 million, due to increased gas prices. The aggregate increase in fuel cost was offset by a decrease in operating and maintenance costs of Rs. 33.9 million.

Administrative and Other Expenses. Administrative and other expenses increased by 12.8% from Rs. 185.4 million in fiscal 2003 to Rs. 209.0 million in fiscal 2004, primarily reflecting an increase in insurance cost of Rs. 21.9 million.

Interest and Finance Charges. Interest and finance charges decreased by 16.5% from Rs. 985.2 million in fiscal 2003 to Rs. 822.5 million in fiscal 2004, primarily reflecting a decrease in interest cost due to repayment of loans and a refinancing of high cost debt with lower cost debt.

Depreciation. Depreciation decreased by 1.1% from Rs. 875.5 million in fiscal 2003 to Rs. 865.9 million in fiscal 2004, primarily due to decrease in book value of fixed assets due to a decrease in foreign currency loans used for purchasing such fixed assets at the end of fiscal 2003. The decrease in foreign currency loans was due to translation gains as a result of appreciation of the Rupee against the US Dollar.

Profit before Taxation. As a result of the foregoing, profit before taxation decreased by 3.3% from Rs. 768.9 million in fiscal 2003 to Rs. 743.7 million in fiscal 2004.

Total Taxation. Total tax increased by 137.5% from Rs. 60.6 million in fiscal 2003 to Rs. 143.8 million in fiscal 2004, primarily reflecting the additional provision for deferred tax liability in fiscal 2004 of Rs. 87.2 million to account for the tax liability on account of timing differences that originated during the tax holiday period under the provisions of section 80IA of Income Tax Act 1961.

Profit after Taxation. As a result of the foregoing, profit after taxation decreased by 15.3% from Rs. 708.4 million in fiscal 2003 to Rs. 599.9 million in fiscal 2004.

Net Adjusted Profit. Our net adjusted profit is a result of restatements made for, among other items, changes in accounting policies. As a result of these adjustments, our net adjusted profit decreased by 15.4% from Rs. 705.7 million in fiscal 2003 to Rs. 597.2 million in fiscal 2004. Please see the section titled " Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations of Lanco Kondapalli Power Private Limited ("LKPPL") and Aban Power Company Limited ("APCL") - Restatements" on page 234 of this Red Herring Prospectus.

Cash Flow Data for LKPPL

(Rs. in million)

	For the years ended March 31,			For the quarter ended June 30,
	2004	2005	2006	2006
Net Cash from Operating Activities	1,770.4	2,364.3	1,826.3	534.2
Net Cash from (used in) Investing Activities	238.0	77.5	91.5	(2.4)
Net Cash from (used in) Financing Activities	(2,120.5)	(2,720.4)	(1,736.5)	(615.3)
Net increase (decrease) in Cash and Cash Equivalents	(112.1)	(278.6)	181.3	(83.5)

Cash Flow from Operating Activities

Quarter ended June 30, 2006. Net cash from operating activities for the quarter ended June 30, 2006 was Rs. 534.3 million, primarily due to cash generated from operations before working capital changes of Rs. 564.5 million, decrease in trade receivables of Rs. 33.6 million, a decrease in inventories of Rs. 5.3 million and being more than offset by increase in loans and advances of Rs. 44.7 million, decrease in trade payables of Rs. 6.5 million and direct taxes paid of Rs. 17.8 million.

Fiscal 2006. Net cash from operating activities was Rs. 1,826.3 million in fiscal 2006, which was primarily due to cash generated from operations before working capital changes of Rs. 2,333.7 million, a decrease in inventories of Rs. 3.5 million and an increase in trade payables of Rs. 7.4 million, partially offset by an increase in trade and other receivables of Rs. 430.5 million and direct taxes paid of Rs. 87.9 million.

Fiscal 2005. Net cash from operating activities was Rs. 2,364.3 million in fiscal 2005, which was primarily due to cash generated from operations before working capital changes of Rs. 2,349.6 million and a decrease in trade and other receivables of Rs. 165.1 million, partially offset by direct taxes paid of Rs. 82.3 million, a decrease in trade payables of Rs. 54.2 million and an increase in inventories of Rs. 13.9 million.

Fiscal 2004. Net cash from operating activities was Rs. 1,770.4 million in fiscal 2004, which was primarily due to cash generated from operations before working capital changes of Rs. 2,266.1 million, an increase in trade payables of Rs. 21.5 million and a decrease in inventories of Rs. 19.8 million, partially offset by an increase in trade and other receivables of Rs. 465.8 million and direct taxes paid of Rs. 71.3 million.

Cash Flow (used in)/from Investing Activities

Quarter ended June 30, 2006. Net cash used in investing activities for the quarter ended June 30, 2006 was Rs. 2.4 million, which was primarily due to the proceeds from sale of investments of Rs. 216.1 million, interest income received of Rs. 1.0 million, and being more than partially offset by purchase of investments of Rs. 216.0 million and purchase of fixed assets (net of exchange fluctuations) amounting to Rs. 3.6 million.

Fiscal 2006. Net cash from investing activities was Rs. 91.5 million in fiscal 2006, which was primarily due to the proceeds from sale of investments of Rs. 1,960.5 million, interest income received of Rs. 89.2 million and proceeds from sale of fixed assets amounting to Rs. 1.7 million, partially offset by purchase of investments of Rs. 1,958.5 million, purchase of fixed assets (net of foreign exchange fluctuations) amounting to Rs. 1.4 million.

Fiscal 2005. Net cash from investing activities was Rs. 77.5 million in fiscal 2005, which was primarily due to the proceeds from sale of investments of Rs. 4,173.1 million and interest income of Rs. 73.5 million, partially offset by purchase of investments of Rs. 4,165.1 million, purchase of fixed assets (net of foreign exchange fluctuations) amounting to Rs. 4.1 million.

Fiscal 2004. Net cash from investing activities was Rs. 238.0 million in fiscal 2004, which was primarily due to the proceeds from sale of investments of Rs. 8,752.7 million, interest income of Rs. 68.9 million, purchase of fixed assets (net of foreign exchange fluctuations) amounting to Rs. 150.0 million, proceeds from the sale of fixed assets of Rs. 0.7 million, partially offset by purchase of investments of Rs. 8,734.3 million.

Cash Flow used in Financing Activities

Quarter ended June 30, 2006. Net cash used in financing activities for the quarter ended June 30, 2006 was Rs. 615.3 million primarily due to repayment of long-term borrowings of Rs. 237.3 million, dividend (including distribution tax) payment of Rs. 387.7 million, interest payment of Rs. 102.2 million, partially offset by an increase in net short-term borrowings of Rs. 111.9 million.

Fiscal 2006. Net cash used in financing activities was Rs. 1,736.5 million in fiscal 2006, which was primarily due to repayment of long-term borrowings of Rs. 879.4 million, dividend (including distribution tax) payment of Rs. 542.8 million and interest payments of Rs. 437.9 million, partially offset by an increase in net short-term borrowings of Rs. 123.6 million.

Fiscal 2005. Net cash used in financing activities was Rs. 2,720.4 million in fiscal 2005, which was primarily due to repayment of long-term borrowings of Rs. 884.2 million, dividend (including distribution tax) payment of Rs. 1,229.5 million, interest payments of Rs. 530.8 million and repayment of net short-term borrowings of Rs. 75.9 million.

Fiscal 2004. Net cash used in financing activities was Rs. 2,120.5 million in fiscal 2004, which was primarily due to repayment of long-term borrowings of Rs. 3,668.0 million, partially offset by an increase in long-term borrowings of Rs. 2,611.8 million and net short-term borrowings of Rs. 8.9 million, dividend (including distribution tax) payment of Rs. 306.9 million and interest payments of Rs. 766.4 million.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

Some of the contractual obligations, including purchase obligations, may result in future cash requirements. The table below sets out the details of LKPPL's secured loans and unsecured loans: As of June 30, 2006, the aggregate amount of the outstanding secured debt of LKPPL was Rs. 4,715.4 million, of which foreign denominated debt was US$ 56.1 million. As of June 30, 2006, LKPPL had trade credit facilities of Rs. 528.6 million, of which Rs. 370.1 million had been drawn.

Some of the contractual obligations are not generally required to be recognised as liabilities in the balance sheet. These obligations may, however, result in future cash requirements. The following table summarises contractual obligations and commitments to make future payments for LKPPL as of June 30, 2006, and the effect such obligations and commitments are expected to have on its liquidity and cash flow in future periods:

	As of June 30, 2006				
	Payment Due by Period (Amount in Rs./ US $ million)				
	Total	**Within 1 year**	**Second Year**	**Third to Fifth Year**	**After Five Years**
Long-term bank loans					
Rupee Loans	Rs. 1,745.5	Rs. 310.0	Rs. 413.4	Rs. 1,022.1	-
Foreign Currency Loans	US$56.1	US$7.6	US$10.5	US$29.3	US$8.7

The table below sets out the details of our off-balance sheet and contingent liabilities:

(Rs. in million)

	As of June 30, 2006
Bank Guarantees outstanding	102.7
Customs Duty	449.6
Differential Customs Duty	196.4
APTRANSCO (presently APPCC) claims disputed by us	NM[1]
APPCC claims for liquidated damages disputed by us	951.6

1 *APTRANSCO has raised disputes regarding certain charges payable by it to LKPPL amounting to Rs. 2,240.0 million. We believe APTRANSCO's claim is not tenable and hence have recognised such amount as revenues. Please see "Risk Factors - We, certain of our Promoters and certain persons forming part of our Promoter Group and the Lanco Group are involved in certain legal proceedings and claims" on page* xxix *of this Red Herring Prospectus.*

For further details regarding these contingent liabilities, please see Note 1 of the stand-alone financial statements of LKPPL beginning on page F256 of this Red Herring Prospectus.

Except as disclosed above and under the section titled "Related Party Transactions," there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources for LKPPL that it believes are material to investors.

Results of Operations of APCL

Overview of Results of Operations for APCL

APCL was incorporated on March 6, 1997. However, the Aban Power Plant, which is the sole revenue-generating asset of APCL, commenced operations only in August 2005. Therefore, APCL has generated revenues only since August 2005. Before June 2006, LITL owned 11.7% of APCL. In June 2006, LITL acquired an additional 39.3% equity stake of APCL (for a total of 51.0%), as a result of which APCL became a consolidated subsidiary of LITL as of June 7, 2006. LITL's results for the quarter ended June 30, 2006 include the results of APCL for the quarter ended June 30, 2006. The consideration of Rs. 350.0 million for the acquisition must be paid by November 30, 2006. The following table sets forth certain information with respect to revenues, expenditures and profits for APCL from August 11, 2005 to March 31, 2006 and for the quarter ended June 30, 2006.

Particulars	For the period August 11, 2005 to March 31, 2006		For the quarter ended June 30, 2006	
	Amount in Rs. Million	% of Total Income	Amount in Rs. Million	% of Total Income
Income				
Sale of electrical energy (less rebate)	979.1	99.6%	369.3	98.4%
Other Income	4.3	0.4%	6.1	0.2%
Total Income	**983.5**	**100%**	**375.4**	**100%**
Expenditure				
Generation Expenses	529.6	53.8%	191.8	51.1%
Administration and Other Expenses	47.5	4.8%	23.4	6.2%
Interest and Finance Charges	171.1	17.4%	70.7	18.8%
Depreciation	198.5	20.2%	79.6	21.2%
Total Expenditure	**946.6**	**96.2%**	**365.5**	**97.4%**
Profit Before Taxation	**36.8**	**3.7%**	**9.9**	**2.6%**
Provision for taxation				
Current Tax	3.1	0.3%	1.1	0.3%
Fringe Benefit Tax	0.2	0.0%	0.1	0.0%
Profit After Taxation	**33.5**	**3.4%**	**8.7**	**2.3%**

For the quarter ended June 30, 2006, sale of electrical energy consisted of both fixed and variable components of income from sale of electrical energy of Rs. 378.8 million. After deduction of the prompt payment rebate of Rs. 9.5 million, the sale of electrical energy (less rebate) was Rs. 369.3 million. Prompt payment rebate represents rebate made by APCL for early payment of dues by TNEB (the offtaker), principally within five business days of tariff billing. Other income of Rs. 6.1 million consisted of interest from deposits and dividends from mutual fund investments.

For the quarter ended June 30, 2006, expenditure consisted of generation expenses of Rs. 191.8 million, administration (including, among others, fuel and lubricants expenses of Rs. 167.0 million) and other expenses of Rs. 23.4 million, interest and finance charges of Rs. 70.7 million and depreciation of Rs. 79.6 million. Current tax was Rs. 1.1 million and fringe benefit tax was Rs. 0.1 million. As a result of the foregoing, profit after taxation was Rs. 8.7 million for the quarter ended June 30, 2006.

For the period from August 11, 2005 to March 31, 2006, sale of electrical energy consisted of both fixed and variable components of income from sale of electrical energy of Rs. 561.2 million and Rs. 445.7 million, respectively. After deduction of the prompt payment rebate of Rs. 27.8 million, the sale of electrical energy (less rebate) was Rs. 979.1 million. Prompt payment rebate represents rebate made by APCL for early payment of dues by TNEB (the offtaker), principally within five business days of tariff billing. Other income of Rs. 4.3 million consisted of interest from deposits and dividends from mutual fund investments.

For the period from August 11, 2005 to March 31, 2006, expenditure consisted of generation expenses of Rs. 529.6 million (including, among others, fuel and lubricants expenses of Rs. 446.9 million), administration and other expenses of Rs. 47.5 million, interest and finance charges of Rs. 171.1 million and depreciation of Rs. 198.5 million. Current tax paid was Rs. 3.1 million and fringe benefit tax was Rs. 0.2 million. As a result of the foregoing, profit after taxation was Rs. 33.5 million for the period from August 11, 2005 to March 31, 2006.

Cash Flow Data for APCL

(Rs. in million)

	For the years ended March 31,		For the quarter ended June 30,
	2005	2006	2006
Net Cash Flow from Operating Activities	(58.7)	87.4	101.3
Net Cash Flow from (used in) Investing Activities	(2,142.6)	142.7	(36.9)
Net Cash Flow from (used in) Financing Activities	2,160.2	63.5	(99.2)
Net increase (decrease) in Cash and Cash Equivalents	(41.1)	293.6	(34.8)

Cash Flow from (used in) Operating Activities

Net cash from operating activities was Rs. 101.3 million for the quarter ended June 30, 2006, which was primarily due to operating profit before working capital changes of Rs. 89.5 million, an increase in trade payables of Rs. 8.9 million, a decrease in trade and other receivables of Rs. 5.9 million and a decrease in loans and advances of Rs. 6.0 million, partially offset by an increase in other current assets of Rs. 5.8 million. Net cash from operating activities was Rs. 87.4 million in fiscal 2006, which was primarily due to operating profit before working capital changes of Rs. 239.4 million, an increase in trade payables of Rs. 40.1 million, a decrease in trade and other receivables of Rs. 23.6 million and a decrease in advances of Rs. 0.7 million, partially offset by an increase in inventories of Rs. 216.4 million.

Cash Flow from (used in) Investing Activities

Net cash used in investing activities was Rs. 36.9 million for the quarter ended June 30, 2006, which was due to the sale of assets.

Net cash from investing activities was Rs. 142.7 million in fiscal 2006, which was primarily due to the sale of assets of Rs. 104.0 million and sale of investments of Rs. 38.6 million. Net cash used in investing activities was Rs. 2,142.6 million in fiscal 2005, which was primarily related to capital expenditure on the Aban Power Plant.

Cash Flow from Financing Activities

Net cash flow used in financing activities was Rs. 99.2 million for the quarter ended June 30, 2006, which was due to proceeds received from long-term borrowings of Rs. 59.6 million and proceeds received from short-term borrowings of Rs. 39.6 million.

Net cash flow from financing activities was Rs. 63.5 million in fiscal 2006, which was due to proceeds received from short-term borrowings. Net cash from financing activities was Rs. 2160.2 million in fiscal 2005, which was primarily due to an increase in long term borrowings of Rs. 1733.6 million and proceeds of issue of equity shares amounting to Rs. 426.6 million, which was primarily used towards capital expenditure.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

APCL has entered into long- and short-term bank facilities and trade credit facilities. As of June 30, 2006, the aggregate amount of the outstanding debt was Rs. 2,987.4 million, all of which was fully secured. As of June 30, 2006, APCL had trade credit facilities of Rs. 173.3 million, of which Rs. 173.3 million remained outstanding as of that date.

The following table summarises contractual obligations and commitments to make future payments for APCL as of June 30, 2006, and the effect such obligations and commitments are expected to have on liquidity and cash flow in future periods:

	As of June 30, 2006				
	Payment Due by Period (Amount in million)				
	Total	Within 1 year	Second Year	Third to Fifth Year	After Five Years
Long-term bank loans					
Rupee Loans	Rs. 1,957.0	Rs. 206.0	Rs. 206.0	Rs. 618.0	Rs. 927.0
Foreign Currency Loans	US$20.2	US$2.1	US$2.1	US$6.3	US$9.5
Short-term loans	-	-	-	-	-
Operating lease arrangements	-	-	-	-	-
Unconditional purchase obligations	-	-	-	-	-
Other capital commitments	Rs. 2.6	Rs. 2.6	-	-	-
Total contractual obligations					
Rupee Obligations	Rs. 1,959.6	Rs. 208.6	Rs. 206.0	Rs. 618.0	Rs. 927.0
Foreign Currency Obligations	US$20.2	US$2.1	US$2.1	US$6.3	US$9.5

The table below sets forth the details of our off-balance sheet and contingent liabilities:

(Rs. in million)

	As of June 30, 2006
Bank Guarantees outstanding	75.5
Letters of Credit outstanding	180.6
Contracts on Capital Account outstanding	NIL

Except as disclosed above and under the section titled "Related Party Transactions" there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources for APCL that we believe are material to investors.

LITL (Consolidated)

Liquidity and Capital Resources

We operate in capital-intensive industries and have historically financed the development of our projects and other capital expenditures through a combination of cash generated from operations, sale of equity interests, and borrowings from commercial banks in India. Our liquidity requirements relate to servicing our debt, funding investments in new projects, funding our working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. 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 in Rupees.

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

Net capital expenditure for fiscal 2004, 2005 and 2006 and the quarter ended June 30, 2006, which totalled Rs. 236.9 million, Rs. (198.0) million (on account of net sales of fixed assets) Rs. 210.9 million and Rs. 8,588.8 million, respectively, consisted primarily of costs related to the construction of new projects. LITL anticipates that its capital expenditures in the next 24 months will increase significantly due to its commitment to develop and fund its new projects, including Lanco Amarkantak Power Project, Nagarjuna Power Project, Lanco Green Power Project, Vamshi Hydro Power Project, Uttaranchal Power Project, Vamshi Industrial Power Project, Teesta VI Power Project, Hyderabad Property Project and Ocean Park Property Project. For further details, please see "Objects of the Issue" on page 27 of this Red Herring Prospectus.

Anticipated Sources of Funds

As of June 30, 2006, cash and cash equivalents of LITL and its consolidated Subsidiaries totalled Rs. 348.2 million, denominated principally in Rupees, compared to Rs. 249.8 million as of June 30, 2005.

We have in the past relied principally on cash flow from operations, borrowings from banks and equity funding as our main sources of funds. We expect that, going forward, we will finance the development of new projects and our working capital requirements with a combination of the proceeds of this Issue, bank borrowings, operating cash flows.

Taking into account the estimated net proceeds available to us from the Issue, available bank facilities and net operating cash flow, we believe we have sufficient working capital for our requirements for at least the next 12 months. In addition to our net cash provided by operating activities and our net proceeds from the Issue, we expect to borrow additional amounts to finance the development of our new projects after the completion of the Issue. However, we cannot assure you that our business or operations will not change in a manner that would consume our available capital resources more rapidly than anticipated, especially as we continue to evaluate other investment and development opportunities. For more information, please see "Objects of the Issue" on page 27 of this Red Herring Prospectus.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks, in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated earnings, borrowings and operating expenses. We have from time to time entered into derivative transactions for the purpose of minimising our exposure to interest rate and foreign exchange risks. The following discussion and analysis, which constitute "forward-looking statements" that involve risk and uncertainties, summarise our exposure to different market risks.

Credit Risk

We currently generate a substantial portion of our operating revenues from customers in the public sector. The payment obligations of the offtaker for the Kondapalli Power Plant are required to be supported by a three-tier credit support mechanism. The payment obligations of the offtaker for our Lanco Amarkantak Power Plant are also supported by a letter of credit. However, we do not have any credit support mechanism for our Aban, Rithwik and Clarion Power Plants. For our construction business, we bear the risk of credit default by our customers.

Interest Rate Risk

Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in the interest rates for our existing and future borrowings may adversely affect our ability to service long-term debt and to finance development of new projects, all of which in turn may adversely affect our results of operations, financial conditions, planned capital expenditures and cash flows. From time to time, we enter into interest rate swaps to partially hedge our exposure to fluctuations in interest rates.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk for our power business. For our power business, we have US Dollar denominated debt. Our exposure to foreign currency exchange rate risk for some of our power projects is passed through to our customers who are required to reimburse us for any foreign exchange fluctuations. We are exposed to foreign currency exchange rate risk between the time we incur the foreign currency expense and the time we invoice our customers, which period can last up to five months. In addition, we are exposed to foreign currency exchange rate risk under our O&M Agreement with GLPPL as pursuant to such agreement we are required to pay a portion of its compensation in US Dollars.

The costs of our raw materials for our construction business and our future capital expenditures, including costs for imported equipment and machinery, may be denominated in currencies other than Indian Rupees. Therefore, declines in the value of the Rupee against such other currencies could increase the Rupee cost of making such purchases.

Commodities Risk

We are exposed to fuel price fluctuations in our power business to the extent that we are unable to pass on such fluctuations to our customers or our customers default on their obligations to reimburse us for such fluctuations. With respect to our construction business, we are exposed to fluctuations in the prices of raw materials and components used in our construction projects. These commodities include steel, cement and timber. The costs of components and various small parts sourced from outside manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, we purchase these raw materials and components either on a purchase order basis or pursuant to supply agreements.

Inflation

Inflation and deflation in India has not had a material impact on our results of operations in the past three years. According to the Centre for Monitoring Indian Economy, the overall national inflation rate in India was 4.6%, 5.1% and 4.5% in 2004, 2005 and 2006, respectively.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with Indian GAAP. Our significant accounting policies are set forth in Note 1 to our consolidated financial statements included elsewhere in this Red Herring Prospectus. Indian GAAP requires that we adopt accounting policies and make estimates that our directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results of operations and the understanding of our financial condition and results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 223 of this Red Herring Prospectus where such policies affect our reported financial results. The preparation of our financial statements requires us to make difficult, complex and subjective judgment in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

While we believe that all aspects of our financial statements should be studied and understood in assessing our expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

Revenue recognition. Revenue from work contracts is recognised 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 Tax Deducted at Source.

Revenue from Carbon Credit is recognised 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 recognised on the accrual basis in accordance with the provisions of Power Distribution Agreement. Claims for delayed payment charges and any other claims to 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.

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 capitalised, indirect expenditure incurred during the construction period is capitalised 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 the 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 recognised in prior years is reversed where the recoverable value exceeds the carrying value of the asset upon reassessment in the subsequent years.

Depreciation/ Amortisation. Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Companies Act, or at rates based on estimated useful lives whichever is higher except for assets of less than Rs. 5,000, which are depreciated in the year of acquisition. Leasehold improvements are amortised 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.

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.

In case of APCL, RESL and CPCL, depreciation is provided on straight-line method at the rates and in the manner specified in Government of India notification S.O. 266 (E) dated March 29, 1994 issued under the provisions of Electricity (Supply) Act, 1948 (repealed), as applicable to Electricity Generating Companies or as per rates specified under Schedule XIV to the Companies Act, 1956, whichever is higher.

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.

Inventories. In case of LITL, inventories after providing for obsolescence are valued as under:

a) Stores and Spares on a First In First Out basis.

b) Project and Construction related Work-in-progress at cost or lower.

In case of LHTPPL, inventories including Real Estate development are stated at cost or net realisable 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.

Retirement Benefits. Retirement benefits are accounted for on accrual basis, with contributions to provident fund charged to the profit and loss account. In case of APCL provision for leave encashment is made on the basis of leave outstanding at the end of the year subject to a maximum of 240 days. Provision for Gratuity has been made on the basis of actuarial valuation through a scheme administered by Life Insurance Corporation of India.

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 or loss is recognised in the financial statements.

Related Party Transactions

The Company has entered into significant related party transactions with its subsidiaries and associates, including with the entities recently consolidated or expected to become consolidated pursuant to the reorganisation. Please see "Related Party Transaction" in this Red Herring Prospectus for details regarding the related party transactions. Some of these transactions will be eliminated/partially eliminated upon consolidation of the entities pursuant to the reorganisation. Following is a list of material transactions during the last five years and the quarter ended June 30, 2006, which would have been eliminated/partially eliminated upon consolidation of the entities pursuant to the reorganisation:

(Rs. in millions)

Nature of Transaction	***For the fiscal***					**For the quarter ended June 30, 2006**
	***year* 2002**	***year* 2003**	***year* 2004**	***year* 2005**	***year* 2006**	
Civil contract services rendered	-	29.7	106.1	-	300.1	36.9
Contract service/ shared service fees	0.2	-	53.7	38.4	25.5	3.7
Rent received	-	-	0.6	0.6	1.0	-
Advance paid	4.3	-	37.5	-	22.8	-
Purchase of equity shares	-	75.3	64.8	20.6	304.2	1,971.0
Issue of bonus shares	-	-	-	-	6.0	61.1
Share application money paid	-	-	-	56.6	124.5	4.6
Refund of share application money received	-	-	-	15.8	14.5	-

Information required as per Clause 6.10.5.5 of the SEBI Guidelines

Unusual or infrequent events or transactions. There have been no events, to our knowledge, other than as described in this Red Herring Prospectus, which may be called "unusual" or "infrequent".

Significant economic changes that materially affected or are likely to affect income from continuing operations . Other than as mentioned under the paragraph of "Principal factors affecting our performance" in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 223 of this Red Herring Prospectus, to our knowledge, there are no other significant economic changes that materially affect or are likely to affect income from continuing operations.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations. Other than as described elsewhere in this Red Herring Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages a and 223, respectively, of this Red Herring Prospectus, to our knowledge, there are no trends or uncertainties that have or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known. Other than as described elsewhere in this Red Herring Prospectus, particularly in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 223 of this Red Herring Prospectus, to our knowledge, there are no known factors that might affect the future relationship between costs and revenues.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices. Changes in revenues during the last four years are as explained in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the quarter ended June 30, 2006 with the quarter ended June 30, 2005", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the year ended March 31, 2006 with the year ended March 31, 2005", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the year ended March 31, 2005 with the year ended March 31, 2004" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the year ended March 31, 2004 with the year ended March 31, 2003- Sales and Operating Income" on pages 228, 229 and 230, respectively, of this Red Herring Prospectus.

Total turnover of each major industry segment in which the issuer company operated. Segmental information has been disclosed in "Segment Reporting" in the table in the section titled "Financial Statements" beginning on page F-1 of this Red Herring Prospectus.

Status of any publicly announced new products or business segment. The status of any publicly announced new products or business segment is as disclosed in the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 67 and 223, respectively, in this Red Herring Prospectus.

The extent to which business is seasonal. The impact of seasonality during the last four years are as explained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations- Comparison of the quarter ended June 30, 2006 with the quarter ended June 30, 2005", "Management's Discussion and Analysis of Financial Condition and Results of Operations- Comparison of the year ended March 31, 2006 with the year ended March 31, 2005" , "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the year ended March 31, 2005 with the year ended March 31, 2004" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Comparison of the year ended March 31, 2004 with the year ended March 31, 2003-Sales and Operating Income" on pages 228, 229and 230, respectively, of this Red Herring Prospectus.

Any significant dependence on a single or few suppliers or customers. Customer and supplier concentration for our businesses has been disclosed under the sections "Our Business" and "Risk Factors" beginning on pages 67 and a, respectively, of this Red Herring Prospectus.

Competitive conditions. Competitive conditions are as described under the sections titled "Industry Overview" and "Risk Factors" beginning on pages 49 and a, respectively, in this Red Herring Prospectus.

SECTION VI – LEGAL AND REGULATORY INFORMATION

Outstanding Litigation and Defaults

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, the Directors, the Promoters, the Promoter Group, the Subsidiaries and the Associates and there are no defaults, non payment of statutory dues, overdues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debentures, bonds or fixed deposits or arrears on preference shares issued by the Company, the Directors, the Promoters, the Promoter Group companies, the Subsidiaries and the Associates, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company, the Directors, the Promoters, the Promoter Group, the Subsidiaries and the Associates and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, the Directors, the Promoters, the Promoter Group, the Subsidiaries and the Associates that would result in a material adverse effect on our consolidated business taken as a whole.

For details of contingent liabilities of our Company and our Subsidiaries, please refer to the financial statements of the Company and the Subsidiaries beginning on page F-1 of this Red Herring Prospectus.

A. LANCO INFRATECH LIMITED

Cases against the Company

Arbitration Cases

1. M/s. Varun Associates (the petitioner) filed an arbitration application in the High Court of Delhi (No. 220 of 2005) as the Company failed to appoint an arbitrator pursuant to an arbitration agreement between the Company and the petitioner. The relevant background was that the petitioner was awarded certain construction work by the Company that involved the completion of a multi-storeyed building in Delhi. Upon the completion of the said work, the petitioner raised certain claims contesting the payment made by the Company therefor. The aggregate disputed amount is Rs. 3.87 million with interest. The Company disputed the same and the petitioner invoked the arbitration clause thereafter, calling upon the Company to appoint an arbitrator within 30 days. As no steps were taken, the petitioner approached the court and the court appointed an arbitrator on March 8, 2006. The Company received a notice from the said arbitrator on May 31, 2006 calling both the parties to appear before him on July 14, 2006. The Company appeared before the arbitrator on July 14, 2006 and the arbitration process is currently underway. The next hearing has been posted to October 16, 2006.
2. Oil & Natural Gas Corporation Limited (the applicant) filed a civil miscellaneous application (No. 245 of 2005) in the Court of the Honourable Judge of Vadodara challenging the arbitral award dated July 31, 2005 in the matter of certain construction contracts between them and the Company. It was alleged that the Company had failed to execute the contract work as per the specifications and therefore the applicant had withdrawn payments under the said contracts. Meanwhile, the Company invoked the arbitration clause and after hearing both the parties, the arbitrators granted an award on July 31, 2005 in favour of the Company awarding a sum of Rs. 18,760,844 with 10% running interest. The applicant had therefore filed the said application praying to set aside the award. The Company filed its reply on December 6, 2005 and no final orders have been passed yet.
3. Tehri Hydro Development Corporation (the applicant) filed a suit in the High Court of Delhi (O.M.P No 170 of 1998) for setting aside the arbitral award dated May 7, 1998. The relevant background was that the applicant entered into a contract with the Company for the execution of certain works with respect to the construction of the Tehri dam. The work could not be completed on time due to which disputes arose between the parties and the matter was referred to sole arbitrator appointed by the applicant. The arbitration award was given in favour of the Company, which is the claimant in the arbitration proceedings. The arbitrator awarded Rs. 15,654,100 for the additional cost involved due to longer lead and Rs. 1,618,630 against the contract value along with past and future interest along with pendent lite interest and a sum of Rs. 30,000 towards costs of arbitration. The Company filed an interim application, in the meantime, in the High Court of Delhi for payment of the total award amount of Rs. 24,198,472. The matter has been posted to October 18, 2006.
4. Central Government Employees' Welfare Housing Organization (the applicant) filed an application in the High Court of Delhi challenging the arbitral award given by the sole arbitrator dated July 23, 2003 in favour of the Company. The relevant background was that the applicant entered into an agreement with the Company for certain construction projects under which the Company made claims towards the reimbursement of sales tax paid on the inter-state purchase of cement. A sole arbitrator was appointed to adjudicate the disputes/ claims between the applicant and the Company and the arbitrator decided in favour of the Company thereby awarding a sum of Rs. 2,730,600 with a future interest of 9% per annum. The Company had filed an execution petition in the High Court of New Delhi for the enforcement of the arbitral award. Whilst the said matter has been listed for disposal by the High Court, no final orders have been passed yet.

Money Recovery Cases

1. Paharpur Cooling Towers Limited (the plaintiff) filed a money recovery suit against the Company (originally filed against Encon Services Limited or ESL that was transferred to the name of the Company pursuant to the amalgamation of the Company with ESL) in the court of Senior Civil Judge of Alipore, Kolkata (Suit No. 10/ 2006) for an amount of Rs. 218,880. The relevant background was that virtue of a purchase order placed by ESL (No. ESPL/P&D/PO/020/009/98-99) on March 20, 1999, the plaintiff supplied certain goods to Kalahasti Castings Limited and raised two invoices for Rs. 84,000 and Rs. 989,376 each and towards the same ESL issued a cheque for Rs. 929,376. The plaintiff filed the suit claiming the claiming the balance amount of Rs. 144,000 with interest at the rate of 24%. The Company reached a settlement on May 9, 2006 for an amount of Rs. 164,000, which included outstanding dues and legal expenses. However, the memorandum of settlement towards the same was filed on August 9, 2006.

2. Abdul Khader (the plaintiff) filed a money recovery suit against the Company in the court of City Civil Judge, Bangalore (O.S.No 1105 of 2004) claiming an amount of Rs. 105,508 with an interest of 24% per annum from the date of the suit. The relevant background was that the plaintiff had supplied bricks and other construction material to the Company towards which the Company was liable to pay Rs. 105,508 which it failed to pay. The Company reached a settlement on July 31, 2006 by making a full and final settlement towards its dues. The memorandum of settlement towards the same was filed and the matter has been posted to February 13, 2007.

3. M/s. Indian Hume Pipe Company Limited (the plaintiff) filed a suit for recovery against the Company in the Court of the Chief Civil Judge, City Civil Court, Hyderabad (O.S.No 445 of 2005) for an amount of Rs. 6,652,404. The relevant background was that plaintiff entered into an agreement with the Company for the execution of certain works. Due to several reasons, the work could not be completed on time and the Company did not pay the plaintiff. Therefore, the plaintiff filed the present suit for the recovery of a total sum of Rs. 6,652,404 with future interest of 24% per annum. The matter has been posted to February 2, 2007.

4. M/s. Ion Exchange (India) Limited (the plaintiff) filed a summary suit against the Company in the High Court of Judicature at Madras (Summary C.S. No. 650 of 2005) for a sum of Rs. 10,899,718. The relevant background is that Company engaged the services of the plaintiff for the installation of a water treatment plant at Lanco Kondapalli. Towards the charges for the same, the Company owed a certain amount to the plaintiff for the recovery of which this suit was filed. The court issued summons to the Company and the Company filed its counter on September 10, 2005 and requested the Court to appoint an arbitrator. The matter has been adjourned and the Company is awaiting further directions from the Court in this regard.

5. Steel Authority of India Limited (the plaintiff) filed a suit (O.S.No 92 of 2005) against the Company in the Court of II Additional Chief Judge, City Civil Court, Hyderabad claiming an amount of Rs. 1,896,890. The relevant background was that the plaintiff supplied steel to the Company on a credit basis under various delivery orders. The Company failed to pay the value of the material supplied and the plaintiff claimed that it was entitled to levy interest of 22% per annum. The Company had issued cheques to the plaintiff, which were dishonoured and thereafter the plaintiff filed criminal complaints (CC Nos. 442 and 443 of 2001) in the III Metropolitan Magistrate at Vijayawada against the Company. The Company thereafter paid the principal amount and the criminal complaint was withdrawn. The present suit has been filed claiming an amount of Rs. 1,896,890 being due from the Company by way of interest. The Company had filed its written statement and the matter was posted to October 20, 2006 for framing of issues.

Tax Cases

1. The Additional Commissioner, Sales Tax passed an assessment order on October 15, 2004 for the assessment year 2000-01 revising the tax rate on turn over from 2% to 4% thereby raising the demand against the Company to Rs. 0.52 million. The Company filed a revision petition as well as a stay petition before the Sales Tax Appellate Tribunal in this regard. Both petitions are pending for hearing.

2. For the assessment year 2000-01, the sales tax assessing authority did not allow the deduction of turnover of payments made to sub-contractors who were registered dealers on the ground that some of such sub-contractors did not report the turnover in their returns to the Sales Tax Department. The Company filed a stay petition before the High Court on and obtained a stay order by paying Rs. 0.84 million being 50% of the disputed tax. The appeal is pending before the Sales Tax Appellate Tribunal.

Miscellaneous Cases

1. Wadde Balraj and a others (the petitioners) filed claim petitions in the Court of the Motor Vehicle Accidents Claims Tribunal (District Judge) at Mahbubnagar (O.P. Nos 456, 457 and 458 of 2002) against the Company and National Insurance Company Limited claiming as compensation a total amount of Rs. 300,000 with 15% interest per annum. The relevant background was that the petitioners met with an accident with the Company's vehicle and alleged that the accident was caused due to the rash and negligent driving of the Company's driver and therefore claimed compensation for loss of their livelihood. The Company has filed its counter and the matter has been posted toDecember 13, 2006.

2. Mantri Developers Private Limited (the petitioner) filed an arbitration petition (O.P no. 1186 of 2006) in the court of the Chief Judge City Civil Court, Hyderabad against the Company and Lanco Hills. The relevant background is that the Company and the petitioner entered into an MOU dated October 19, 2005 and subsequently entered into a share subscription agreement dated October 19, 2005 wherein they agreed that the petitioner would have the right to invest in Lanco Hills up to a limit specified therein, subject to APIIC's approval. Towards this end, the petitioner contributed a sum of Rs. 100 million as advance towards subscription in Lanco Hills and APIIC, by its letter dated February 4, 2006, considered agreeing to the aforementioned right of the parties to invest in Lanco Hills, provided the shareholding of Lanco Hills remained in the ratio of 76:24 as agreed to in the RFP submitted by the Company. Subsequently, the Company terminated the MOU and the share subscription agreement by its letters dated July 15, 2006. Prior to such termination, the parties had agreed to enter into a shareholders agreement at a subsequent date, which did not materialize following the aforesaid termination of the MOU and the share subscription agreement. The petitioner alleges that the Company has failed to take any steps towards ensuring the agreed shareholding pattern and hence the petitioner invoked the arbitration clause in the MOU. The petitioner has approached the city civil court for interim relief so as to preserve and secure the petitioner's interests pending the final adjudication of the disputes before the arbitral tribunal. The petitioner has prayed for an order restraining the respondents from breaching the MOU and share subscription agreement pending the final adjudication, and restraining the respondents from entering into a development agreement with APIIC, in respect of the project without involving the petitioner as a confirming party to it. The Court through its order dated July 19, 2006 dismissed the said petition holding that any change in the shareholding pattern as required under the terminated MOU and the share subscription agreement would amount to an event of default and APIIC may withdraw the Project altogether from the Company/ Lanco Hills and therefore in the interests of the State of Andhra Pradesh it found that the balance of convenience is not in favour of granting the said injunction. Aggrieved by this order, the petitioner filed an appeal, which is pending before the High Court of Andhra Pradesh for setting aside the impugned order dated July 19, 2006. Further, Mantri Developers Private Limited along with two other directors of Lanco Hills filed a petition before the Company Law Board, Chennai under Sections 397, 398, 402 and 403 of the Companies Act praying for the following reliefs amongst others:

- Declare that the change of name from Lanco Mantri Technology Park Private Limited to Lanco Hills Technology Park Private Limited is null and void and that the earlier name should be retained; and
- Declare that the increase in the authorized share capital of Lanco Hills from Rs. 0.1 Million to Rs. 460 Million is null and void and cancel the relevant ROC filings made owing to the increase.

In the interim, the petition also prayed for an ex-parte order restraining the Company from exercising any rights arising out of the allotment of 45,390,000 equity shares and further restraining Lanco Hills from making any further issue of shares.

Cases filed by the Company

1. The Company filed a writ petition (W.P.No. 11268 of 2006) in the High Court of Andhra Pradesh against GoAP, APIIC and UCO Bank. The relevant background for the writ petition is that APIIC has issued a letter of award dated August 17, 2005 to the Company for the development of an IT park in Vishakhapatnam under which the Company has furnished a bank guarantee from UCO Bank towards bid security. The said letter of award contained a clause that the allotment of land to the Company was subject to the out come of a certain appeal pending before the Commissioner, Appeals, ULC, Hyderabad. APIIC has indicated to the Company on various occasions that the said appeal has been dismissed and that there is no other litigation pending in respect of the disputed land. The Company has, through its letter dated November 21, 2005, indicated to APIIC that in its view, the project may be exposed to further litigation and therefore requested APIIC to keep the letter of award in abeyance until final conclusion of the pending litigation. Further, the Company, by its letter dated November 29, 2005 indicated that it is not in a position to proceed further on the project till such time that the litigations in relation to the title of the land are resolved and therefore requested APIIC to release the bank guarantee along with their bid.

   APIIC has, vide its letter dated January 27, 2006 withdrawn the letter of award as the Company has not complied with the terms of the letter of award and expressed their inability to proceed further with the project vide their letters dated November 21, 2005 and November 29, 2005 thereby invoking the bank guarantee of Rs. 6.2 million. APIIC also issued a letter dated January 30, 2006 to UCO Bank requesting it to pay Rs. 6.2 million under the bank guarantee. APIIC further issued a letter dated February 3, 2006 to UCO Bank requesting it to extend the bank guarantee for a further period of three months. Following negotiations, the Company and UCO Bank agreed to extend the bank guarantee up to August 1, 2006. But however, APIIC had once again invoked the bank guarantee through its letter dated May 26, 2006 to UCO Bank. Meanwhile, the Company, vide its letter dated May 4, 2006 to APIIC, indicated that it would like to continue with the project at the original bid price provided APIIC holds valid title to the disputed land. The GoAP issued a government order (no. 280) dated May 8, 2006 to APIIC directing it to call for fresh tenders for the development of IT park in the disputed land. The present writ petition has been filed praying for a writ of mandamus declaring that the said government order issued by GoAP is arbitrary and illegal and to quash the notice (no. 2196/PM/(IPU),APIIC/2004) dated May 26, 2006 issued by APIIC. The High Court, by its order dated June 8, 2006, issued a show cause notice to the respondents to show cause why the writ petition should not be admitted. The High Court by its further order dated July 6, 2006 extended status quo until further orders. The Company meanwhile extended the bank guarantee and has also issued a cheque dated September 18, 2006 for Rs. 80 Million, which is to be encashed on issuance of the project revival letter.

2. The Company filed a criminal complaint against D. Reddappa Reddy (the accused) under Section 190 read with Section 200 of the Criminal Procedure Code in the Court of the Honourable XI Metropolitan Magistrate Court, Secunderabad (CC No. 34 of 2002). The background was that the Company had hired five of its tipper vehicles for a monthly rent of Rs. 130,785. The accused having taken the vehicles on hire, did not pay the monthly hire charges and also failed to return the vehicles. It was alleged that the accused had therefore committed criminal breach of trust and had cheated the Company besides unlawfully enriching himself. The Magistrate issued a non-bailable warrant against the accused and the case has been posted toOctober 27, 2006.

3. The Company had certain claims against the Tehri Hydro Development Corporation ("**THDC**") with respect to certain works that it had executed for them. As per the arbitration agreement between the parties, THDC was to appoint a sole arbitrator. As THDC had failed to appoint an arbitrator, the Company moved the High Court of Delhi (AA. Nos. 363, 364 and 366 of 1998) for appointment of an independent arbitrator. The Court gave its order on January 28, 2000 appointing an arbitrator to adjudicate the balance claims. The arbitration proceedings are underway and there have been no further orders.

4. With respect to the arbitration with Tehri Hydro Development Corporation, the Company obtained a stay order from the High Court of Delhi (OMP No. 18 of 1998) on January 28, 1998 against THDC from encashing the bank guarantees given to them by the Company. Subsequently, the case came up for hearing before the Delhi High Court. The Court had asked the Uttar Pradesh government and THDC to set up a committee to ascertain whether royalty on shell material is payable by THDC to the district administration of Tehri. The matter has been posted to October 18, 2006 for hearing.

5. The Company had certain back-to-back projects with Jai Hind Projects (the claimant) and the terms of the contract for the said projects stipulated that the Company was solely liable in case of any dispute that could arise and which dispute was submitted for arbitration thereto. The claimant initiated arbitration proceedings against the Delhi Jal Board (the respondent) before a sole arbitrator which arose out of a work-order awarded to the claimant. As per the said work order, the claimant was to carry out certain works in Dwaraka. It was claimed that the respondent failed to fulfill its contractual obligations and therefore the claimant prayed for an award of Rs. 20,343,236 with an additional interest of 18% per annum. The arbitration proceedings are pending and the next hearing is on October 31, 2006.

B. THE SUBSIDIARIES

Clarion

Litigation as of October 9, 2006:

1. Clarion filed an appeal before the Appellate Deputy Commissioner, Commercial Taxes Department against the order dated January 23, 2006 levying tax on certain equipment relating to biomass power plant amounting to Rs. 119,424 for the assessment year 2002-03 and Rs. 10,233,084 for the assessment year 2003-04. Clarion received a notice dated April 6, 2006 (Appeal No. P/233 of 2005-06) indicating the next date of appeal and no further orders have been passed yet.

2. The Commissioner of Customs (Appeals), Mumbai in Appeal No. C/ 1358 and 1359 of 2005 passed an order on March 6, 2006 denying the benefit of a certain notification to the appellants, Clarion and Rithwik, for the imported turbine and generator and appropriating Rs. 1.1 million deposited by the appellants as security. The Commissioner also ordered to keep the bond entered into by the appellants for Rs. 14.2 million alive till disposal of the appeal and granted a stay on March 15, 2006 against the recovery of the appealed amount disposed the stay petition and no further orders have been passed yet.

3. Clarion has received an import order no. 330/2006 dated September 18, 2006 from the Assistant Commissioner (IMP), Tuticorin, confirming a demand of differential duty of Rs. 6,700,343. The order also requires Clarion to adjust its security deposit of Rs. 1,100,000, paid at the time of registration, against the said demand. Clarion has not filed an appeal against this order as yet.

Rithwik

Litigation as of October 9, 2006:

1. Rithwik filed an appeal against the order of the Income Tax Officer dated March 14, 2005 for the assessment year 2002-03 under Section 143(3) of the Income Tax Act, 1961 for adding an amount of Rs. 1,911,104 as income from other sources. The assessee, Rithwik, has declared nil income for the said assessment year. The Commissioner of Income Tax (Appeals) issued a notice to Rithwik on November 30, 2005 (in Appeal No. 0135 of 2005-06) requiring the attendance of its authorized representative for hearing to be held on January 13, 2006 and no further orders have been passed yet.

2. The Income Tax Officer in its order dated March 28, 2006 for the assessment year 2003-04 under Section 143(3) of the Income Tax Act, 1961, rejected Rithwik's assessment of nil income and ordered it to pay Rs. 673,874 as tax on a total income of Rs. 1,543,613 (income from business and from other sources). Against this order, Rithwik filed an appeal on May 18, 2006 before the Commissioner of Income Tax (Appeals- IV) and no further orders have been passed yet.

C. PROMOTERS

Individuals

L. Madhusudhan Rao

Litigation as of October 9, 2006

Please refer to the section titled "Outstanding Litigation and Defaults – F. Companies Struck Off from the RoC" appearing on page 255 of this Red Herring Prospectus.

D. PROMOTER GROUP

Lanco Global Systems Limited

Contingent Liabilities as of March 31, 2005

Nil

Litigation as of October 9, 2006

S.No.	Plaintiff	Defendant	Court/ Forum	Suit No.	Amount (Rs.)	Brief Overview	Current Status
1.	Lanco Global Systems Limited	(1) Prism Services Private Limited (2) J. Amaran, Managing Director of Prism Services Private Limited	10th Additional Chief Judge, City Civil Court, Hyderabad	Case No. 14/ 2001	1,220,000	Summary suit for recovery of amount filed against the defendant	Order in favour of the plaintiff for an amount of Rs. 1,220,000 along-with interest.
2.	Bharat Sanchar Nigam Limited	Lanco Global Systems	VII Assistant City Civil Court at Chennai	Suit No. 3514/ 2005	101,404	The case has been filed against Lanco Globus System and notice has been erroneously issued to Lanco Global Systems Limited	Written statement filed indicating the said error. No further orders.

Lanco Industries Limited

Contingent Liabilities as of March 31, 2006

(Rs. in million)

	Particulars	March 31, 2006
a)	Guarantees given by banks on behalf of the company	52.59
b)	In respect of sales tax demands under appeal	136.26
c)	In respect of bills discounted	97.00
d)	Estimated amount of capital contracts not provided for (net of advances)	31.49

Litigation as of October 9, 2006

Sl. No.	Financial year	Demand (Rs. in Million)	Date of filing Appeal	Subject Matter	Status	Forum before pending
1	1996-97	1.00	January 16, 2003	Non submission of forms/ filings regarding inter state sales required under Central Sales Tax law	Appeal filed and pending. To be posted for hearing.	Sales Tax Appellate Authority
2	1997-98	0.24	July 23, 2003	Non submission of forms/ filings regarding inter state sales required under Central Sales Tax law	Appeal filed and pending. To be posted for hearing.	Sales Tax Appellate Authority
3	1999-00	0.96	June 12, 2003	Non submission of forms/ filings regarding inter state sales required under Central Sales Tax law	Appeal filed and pending. To be posted for hearing.	Sales Tax Appellate Authority
4	1999-00	14.26	March 22, 2006	Disallowance of re-sale of goods procured in inter-state trade sale required under Central Sales Tax law	Appeal filed and pending. To be posted for hearing. Of the Rs. 14.26 million, LIL has paid Rs. 4.5 million and the payment of the balance amount has been stayed by the Andhra Pradesh High Court.	Sales Tax Appellate Authority
5	2003-04	11.27	November 25, 2005	Disallowance of re-sale of goods procured in inter-state trade sale required under Central Sales Tax law	The matter has been remanded back to the CTO, Puttur.	ADC, Kurnool
6	2004-05	50.48	April 23, 2006	Disallowance of re-sale of goods procured in inter-state trade sale required under Central Sales Tax law	The matter has been remanded back to the CTO, Puttur.	ADC, Kurnool
7	2005-06	0.13	March 6, 2006	Penalty for adjustment of ITC in deferment required under Central Sales Tax law	The matter has been heard and we are awaiting orders.	ADC, Kurnool
8	2005-06	0.32	March 6, 2006	Penalty for adjustment of ITC in deferment required under Andhra Pradesh Value Added Tax law	The matter has been heard and we are awaiting orders.	ADC, Kurnool
9	2002-03	53.55	December 2, 2005	Dispute regarding rate of tax on molten metal required under Andhra Pradesh State Sales Tax law	The matter has been remanded back to the CTO, Puttur.	ADC, Kurnool
10	APGST	4.05	December 20, 2005	Penalty for forms/filings regarding inter state sales under Andhra Pradesh State Sales Tax law	Appeal allowed and found that there was no demand.	ADC, Kurnool

Lanco Net Limited

Litigation as of October 9, 2006

Sl. No.	Plaintiff	Forum	Suit Number	Brief Facts	Amount Involved (In Rs.)	Status
1.	Bharat Sanchar Nigam Limited	High Court of Madras	C.S. No. 785 of 2004	Dispute relating to the recovery of rental payable by Lanco Net Limited for using the telegraph circuits of the plaintiff	1,944,385	Written statement to be filed by Lanco Net Limited

E. DIRECTORS

Except as provided in the section titled "Outstanding Litigation and Defaults – F. Companies Struck Off from the RoC" appearing on page 255 of this Red Herring Prospectus, there are no cases pending against our Directors.

F. COMPANIES STRUCK OFF FROM THE ROC

Lanco Steels Limited

Litigation as of October 9, 2006

M/s Aruna Associates (the plaintiff) filed a recovery suit (O.S. 79 of 1999) for Rs. 0.7 million against Lanco Steels Limited before the Additional Chief Judge, City Civil Court, Secunderabad and L. Madhusudhan Rao was also named as a party to the said suit. The relevant background was that Lanco Steels Limited entered into a business development agreement with M/s Aruna Associates, Hyderabad whereby it agreed to pay Rs. 1 million to the latter for provision of consultancy services. However, subsequent to the same, Lanco Steels Limited terminated the contract as the services of the plaintiff were found to be unsatisfactory. The suit was decreed in the plaintiff's favour and an execution petition (EP No. 62 of 2005) was filed for the same. An appeal (CCCA No. 85 of 2006) was preferred against the same in the Andhra Pradesh High Court which granted stay of the execution proceedings, subject to L. Madhusudhan Rao paying 50% of the decreed amount. On August 21, 2006, the Andhra Pradesh High Court, while taking up the matter for hearing, directed L. Madhusudhan Rao to deposit entire decree amount including interest within two weeks from the date of the order. In compliance with the above order, L. Madhusudhan Rao has deposited a sum of Rs. 1. 1 million before the Additional Chief Judge, City Civil Court, Secunderabad on October 6, 2006.

G. ASSOCIATES

Lanco Kondapalli

Litigation as of October 9, 2006:

1. **Tariff Dispute Case**- Lanco Kondapalli has filed a writ petition in the High Court of Andhra Pradesh (W.P.No. 7838 of 2004) against APERC and APTRANSCO praying for a writ of prohibition prohibiting APERC from adjudicating the disputes between Lanco Kondapalli and APTRANSCO and to further direct APTRANSCO to comply with the arbitration provisions of the PPA between Lanco Kondapalli and APTRANSCO. APTRANSCO filed a suit in the Court of II Additional Chief Judge, City Civil Courts, Hyderabad (O.P.No 2394/ 2004) claiming a refund of Rs. 2,240 million from Lanco Kondapalli towards purported excess amount paid on account of wrong calculation of tariff under the PPA. The civil courts have passed an order on August 11, 2004 allowing APTRANSCO's refund claim against which Lanco Kondapalli has filed this petition. The High Court, pending disposal of the said writ petition, in the interim, suspended the Civil Court orders and also issued an interim injunction against APTRANSCO from taking any unilateral action with respect to revision of tariff rates and also from re-fixing the capacity of the Kondapalli Power Plant under the said PPA and no final orders have been passed yet.
2. Lanco Kondapalli filed an arbitration application (A.A.No. 31/ 2004) before the High Court of Andhra Pradesh for appointing an arbitrator on behalf of APTRANSCO claiming Rs. 1302.1 million with respect to the outstanding payments under the PPA (principal amount of Rs. 1016.9 million and interest of Rs. 285.2 million till February 10, 2002). APTRANSCO had filed its counter affidavit and no final orders have been passed yet.
3. APPCC issued a letter dated December 14, 2005 indicating to Lanco Kondapalli that there was a delay of 834 days in achieving the scheduled date of completion of the Project and accordingly claimed a sum of Rs. 951.6 million as liquidated damages. It sought to recover the said amount from the December bill of Rs. 470 million. Lanco Kondapalli filed a writ petition (W.P.No. 27101/ 2005) in the High Court of Andhra Pradesh for suspension of the said letter on grounds that it was arbitrary and violating principles of natural justice. The High Court had passed an interim suspension of the said letter through its order in W.P.M.P No 34820 of 2005. Lanco Kondapalli further filed a clarification petition before the High Court, seeking to clarify that APPCC is not entitled to withhold the December bill amount. APPCC, meantime, filed a memorandum

of writ appeal (W.A.No. 82 of 2006) before the division bench of the High Court of Andhra Pradesh. The division bench suspended the interim order passed by the single judge and there have been no further orders in the said matter.

4. The Commissioner of Customs, Vishakhapatnam (appellant) filed a civil appeal (No. D2316 of 2003) in the Supreme Court of India against Lanco Kondapalli against the final order (no. 1109/ 2002) dated August 23, 2002 passed by the Customs, Excise and Gold (Control) Appellate Tribunal ("**CEGAT**"). The relevant background is that Lanco Kondapalli imported certain damaged gas turbines and generators and had subsequently ordered for replacements thereof. For the goods lost/ destroyed, the appellant issued a show cause notice to Lanco Kondapalli on April 23, 2001 as to why a duty of Rs. 196,403,562 should not be imposed as differential duty payable by Lanco Kondapalli. The appellant through its order dated December 31, 2001 confirmed the demand. Aggrieved by that order, Lanco Kondapalli preferred an appeal before the CEGAT, which allowed the appeal by its final order dated August 23, 2002. The appellant preferred an appeal to the Supreme Court against the said order. Lanco Kondapalli has filed its counter affidavit on May 29, 2003. The Supreme Court passed an order on September 26, 2003 condoning the delay in filing the appeal and admitting the appeal and there have been no further orders in the said matter.

H. COMPANIES PROPOSED TO BE ACQUIRED

Nagarjuna Power Corporation Limited

Litigation as of October 9, 2006

1. A public interest litigation was filed against NPCL by Jana Jagruthi Samithi, an NGO in Karnataka, by way of a writ petition in the High Court of Karnataka (W.P.No: 21394 of 2005), challenging amongst others, the order given by the National Environmental Appellate Authority as well as the environmental clearance given by the Ministry of Environment and Forests. The said petition is pending for hearing.
2. Shri K. S. Raju who is the erstwhile directors of M/s. Nagarjuna Finance Limited, has certain cases pending against him in the courts in relation to his past affairs in M/s. Nagarjuna Finance Limited

MATERIAL DEVELOPMENTS

Apart from what has been disclosed hereto and apart from the changes mentioned elsewhere in this Red Herring Prospectus, which have occurred since the date of the last financial statements disclosed (i.e. June 30, 2006) and the date of filing of the Draft Red Herring Prospectus of the Company on August 7, 2006, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

1. On July 10, 2006, we entered into a share purchase agreement to acquire an additional 25.1% equity stake from Globeleq. Under the terms of the said share purchase agreement, we are required to exercise our right to acquire this additional 25.1% equity interest by October 8, 2006 (the "Payment Date") failing which we would be liable to pay interest for the period from the Payment Date until the actual payment is made. The closing has not been completed as of the date of this Red Herring Prospectus and is also subject to receiving Government approval and the consent of the other shareholders of LKPPL.
2. We have recently commissioned seven wind-based power plants of 8.75 MW in the state of Tamil Nadu. Further, we have also recently won the bid for the Anpara Power Project in the State of Uttar Pradesh and are currently in the process of finalizing the agreements for this project. We have also recently signed a memorandum of understanding with the government of Orissa to set up the Orissa Power Plant.
3. We have recently been qualified to bid for two Ultra – Mega Power Projects, that is, power projects with capacity of 4,000 MW each, in Sasan, Madhya Pradesh and Mundhra, Gujarat. We have bid as a consortium with Globeleq and SNC Lavalian, respectively, as our partners for these projects. We are required to submit our bids by November 2006. Further, we have also submitted our technical qualification bid for another Ultra-Mega Power Project in Krishnapatnam in the State of Andhra Pradesh.
4. We have undertaken the construction of irrigation canals in the State of Andhra Pradesh under an EPC contract and the construction of residential towers in Kolkata in the State of West Bengal and have also submitted bids for road projects on a BOT basis and are awaiting responses from the relevant parties.
5. We have received sanction letters from various financial institutions to lend Rs. 39,500 million for the Nagarjuna Power Project as against the requirement of approximately Rs. 34,729 million of debt that we need to raise. We are in the process of entering into definitive documentation including a common loan agreement with these financial institutions.
6. LEPL entered into a PPA with the MSEDCL on August 29, 2006.MSEDCL has agreed to purchase the entire saleable power from the power plant for a period of 35 years from COD for onward supply of such power in the State of Maharashtra. The PPA is subject to the approval of the Maharashtra Electricity Regulatory Commission. A flat tariff of Rs. 2.32 per unit is payable for both primary and secondary energy up to the twenty fifth year from the COD, after which the parties shall mutually negotiate the rate of tariff. The PPA also provides for certain rebates in the event of early payment by the offtaker.
7. Pursuant to the emission reduction purchase agreements ("ERPA") for trading of the issued CERs signed by Rithwik and Clarion, Rithwik in September 2006 registered 57,972 CERs with UNFCCC and sold such CERs to EDF for a consideration of Euro 23.69 per CER, aggregating to Euro 1.37 million, Similarly, Clarion in September 2006, registered 40,882 CERs with UNFCCC and sold such CERs to EDF for a consideration of Euro 23.69 per CER, aggregating to Euro 0.97 million.
8. The trademark of "Lanco – Inspiring Growth" as it appears on the cover page of this Red Herring Prospectus and that has been licensed to us pursuant to a Deed of Trademark License dated June 14, 2006, between L. Rajagopal and us, has been registered with the Trade Marks Registry, Mumbai with the registration number 1087459 with effect from March 15, 2002.
9. In addition to the PPA dated December 26, 2005 with the Bangalore Electricity Supply Company Limited, Mangalore Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited, Hubli Electricity Supply Company Limited and Chamundeshwari Electricity Supply Corporation Limited, Nagarjuna entered into a PPA dated September 29, 2006 with the PSEB for the balance 10% electricity generated by the Nagarjuna Power Project. For the purpose of this agreement the effective date would be December 26, 2006. The scheduled COD for the first unit will be the end of 38th month from the effective date and that of the second unit will be the end of 42nd month from the effective date.
10. LEPL entered into a PPA with the MSEDCL on August 29, 2006. LEPL is implementing the Teesta VI Power Project has agreed to design, construct, complete, test, commission and maintain the project as per this PPA. MSEDCL has agreed to purchase saleable power from the power plant for a period of 35 years from COD for onward supply of such power in the State of Maharashtra. The PPA is subject to the approval of the Maharashtra Electricity Regulatory Commission.
11. The LITL-KVK SHA was amended on August 22, 2006 to further define and determine the respective rights and obligations of each party owing to the induction of DEG as a new shareholder in LAPPL. As per the amended SHA, the Lanco group of entities (comprising of LITL, TMIL, Century Investments Limited and Island Power Ventures Limited), the initial promoters and DEG agreed to subscribe to the share capital of LAPPL such that they respectively hold 78.24%, 10% and 11.76% each of the share capital of LAPPL.

12. With respect to the Vizag Property Project, APIIC withdrew its letter of award and expressed its inability to proceed further with the project and also invoked the bank guarantee of Rs. 6.2 million that we had provided at the time of bidding for the Vizag Property Project. We have initiated litigation against APIIC against the cancellation of the award. In the meantime, we have extended the bank guarantee and issued a cheque dated September 18, 2006 for Rs. 80 million, which is to be encashed on issuance of the project revival letter.
13. Clarion has received an import order no. 330/2006 dated September 18, 2006 from the Assistant Commissioner (IMP), Tuticorin, confirming a demand of differential duty of Rs. 6,700,343. The order also requires Clarion to adjust its security deposit of Rs. 1,100,000, paid at the time of registration, against the said demand. Clarion has not filed an appeal against this order as yet.
14. In relation to the recovery suit (O.S. 79 of 1999) for Rs. 0.7 million filed by M/s Aruna Associates against Lanco Steels Limited before the Additional Chief Judge, City Civil Court, Secunderabad in which L. Madhusudhan Rao was also named as a party, L. Madhusudhan Rao has deposited a sum of Rs. 1.1 million before the Additional Chief Judge, City Civil Court, Secunderabad on October 6, 2006.

GOVERNMENT LICENSES AND APPROVALS

On the basis of the indicative list of approvals below, we are permitted to carry on our project activities and no further major approvals are required to be obtained by us from any government authorities to continue these activities. It must be distinctly understood that, in granting these licenses, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

1. Incorporation Details

1.1 Certificate of incorporation (No. 01-15545 of 1992-93) dated March 26, 1993 under the Companies Act.

1.2 Fresh certificate of incorporation consequent on change of name dated November 24, 2000 recording the change in name of the Company from "Lanco Constructions Limited" to "Lanco Infratech Limited".

1.3 Certificate of commencement of business dated March 31, 1993.

2. Approvals in relation to the Issue

2.1 In-principle listing approvals for the Issue dated August 22, 2006 and August 30, 2006 from BSE and NSE respectively.

2.2 Letters of the FIPB dated September 4, 2006 and September 19, 2006 confirming that the Allotment of Equity Shares pursuant to the Issue to FIIs, FVCIs, NRIs and foreign nationals would fall under the automatic route and accordingly would not require any approval from the FIPB or the RBI.

3. Labour Licenses

3.1 Letter dated November 11, 1996, bearing number AP/HY/29941/Enf/Squad.EC/96/825, issued by the Office of the Regional Provident Fund Commissioner Andhra Pradesh stating that the Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("EPF Act"), was applicable to the Company with effect from April 1, 1996 and the Company was allotted code number AP/HY/29941.

3.2 Letter dated July 15, 1999, bearing number KB/2000 nos./11/98, issued by the Office of the Regional Office Employees State Insurance Corporation Andhra Pradesh stating that the Employees State Insurance Act, 1942 was applicable to the company with effect from January 1, 1997 and the Company was allotted the code number 52-17166-101.

3.3 Registration bearing number 636/2005 dated October 27, 2005 issued by the Karnataka Public Works Department, Government of Karnataka registering the Company as a "special class contractor" under the Contract Labour (Regulation and Abolition) Act, 1970. The said registration is valid till stating that the certificate is renewed up to March 31, 2010.

3.4 Letter bearing number 04090/TAI/RE3/2004 dated October 18, 2004 issued by the Roads and Buildings Department, Government of Andhra Pradesh, stating that the Company is registered as "special class civil contractors" and is consequently qualified to tender works costing Rs. 100,000,000. The registration number of the Company is COT/SP/231/2004 and the registration is valid up to October 10, 2009.

3.5 Renewal of Certificate of Registration dated November 23, 2005, bearing number DCL/HYD/20/1998, issued to the Company, under the A.P. Shops and Establishments Act, 1988, for the period commencing from January 1, 2006 to December 31, 2006.

4. Regulatory approvals.

4.1 Approval bearing no. Co.FID (II)RE5203/10.02.48(92)/97-98 dated January 23, 1998 issued by the RBI granting permission to the Company, to issue 6,500,000 equity shares of the Company of face value of Rs. 10 each amounting to Rs 65,000,000 with repatriation benefits to non-residents of Indian nationality/origin, NRI's or OCB's.

4.2 Approval bearing no. ECC.Co.FID (II)RE1567/10.02.48(92)/2000-2001 dated November 13, 2002 issued by the RBI granting permission to the Company to issue 886,890 bonus shares of the Company of face value of Rs.10 each amounting to Rs 8,868,900 in the ratio of 1:6 to TMIL.

4.3 Approval bearing no. Y.FE.FID/2534/14.50.01/2004-05 dated February 11, 2005 issued by the RBI approving the investment in the Company by Prince Stone by acquiring 6,208,235 equity shares of Rs. 10 each from TMIL.

4.4 Letter issued by the FIPB, Department of Company Affairs, Ministry of Finance, Government of India dated May 12, 2004 approving the proposal of the Company to enter into a foreign collaboration with Prince Stone and permitting the transfer of 62,082,350 shares amounting to 80.71% of the share capital of the Company by TMIL to Prince Stone.

4.5 Certificate of registration from the Government of India (Trade Marks Registry) dated July 17, 2006 registering the Company's trade mark "Lanco- Inspiring Growth", under number: 1087459, in the name of L. Rajagopal under class 16 of the Trade Marks Act, 1999.

5. Tax Related Registrations

5.1 PAN Number of the Company (still in the name of Lanco Constructions Limited): AAACL3449H.

5.2 TAN Number for the Company: HYDL00805A.

5.3 The Company is registered with registration number (TIN) 28690197146 for value added tax with effect from April 1, 2005 in accordance with the APVAT Act, 2005. The registration certificate is dated March 23, 2005.

5.4 The Company is registered under the Central Sales Tax (Registration and Turnover) Rules, 1957 with the registration no: PJT/03/1/2295/9495. The certificate is valid from December 20, 1994 until cancelled. The certificate is given in the name of Lanco Constructions Limited with its principal place of business situated at 1-8-303/69/3, Visaka Towers, Ground Floor, S.P. Road, Secunderabad, Andhra Pradesh for the business of works contracts for civil construction. It was noted that the Company later changed its name to Lanco Infratech Limited with effect from November 24, 2000.

6. Approvals/Licenses in Relation to the Business

6.1 Letter dated August 17, 2005, bearing number 3436/PM (IPU)/APIIC/2004, issued by A.P. Infrastructure Corporation Limited, addressed to the Company, granting project for development of IT Park at Vishakapatnam, pursuant to a bid made by the Company for a total consideration of Rs. 810,469,260. However, the letter records that the allotment of the bid is subject to outcome of the appeal pending before the Commissioner Appeals, ULC, Hyderabad as per the directions of the Andhra Pradesh High Court in Writ Petition Number 10951 of 2005, dated May 7, 2005.

6.2 LITL has received licenses to own, operate and sell power realized from certain windmill power plants as detailed hereunder:

- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at SF No. 572/2(P), 3(P), 4, 5(P) of Uthumalai village, V.K. Pudur Taluk, Tirunelveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2243/146(T)/05) dated September 12, 2006;
- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at SF No. 563/15(P), 2A(P), 576/1(P) of Uthumalai village, V.K. Pudur Taluk, Tirunelveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2247/138(T)/05) dated September 12, 2006;
- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at SF No. 734/4(P) of Uthumalai village, V.K. Pudur Taluk, Tirunalveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2257/147(T)/05) dated September 12, 2006;
- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at SF No. 563/15(P), 2A(P), 576/1(P) of Uthumalai village, V.K. Pudur Taluk, Tirunelveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2247/138(T)/05) dated September 12, 2006;
- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at S.F. No. 467/1(P) of Malamarutthappupuram village, V.K. Pudur Taluk, Tirunelveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2245/61(T)/05) dated September 12, 2006; and
- TNEB, in relation to the installation of a 1,250 KW Suzlon-make wind energy generated project at S.F. No. 266/4(P), 5, 6(P) of Malamarutthappupuram village, V.K. Pudur Taluk, Tirunelveli district, has authorized the change of name from Shubh Realty (South) Private Limited to Lanco Infratech Limited through its letter (CE/NCES/EA/F.Name Transfer/D 2246/145(T)/05) dated September 12, 2006.

In respect of these aforementioned licenses to own, operate and sell power realized from windmill power plants, LITL would enter into separate PPAs with the TNEB in relation to the power generated by each such windmill power plant. Further, LITL would also enter into O&M contracts with Suzlon Wind Farm Services Limited for the maintenance of these windmill power plants.

6.3 The Company has received from the Government of India, Ministry of Company Affairs approval (no: 2/AP-9482/05) dated September 7, 2006 under the proviso Section 297(1) of the Companies Act, to enter into contracts with the following parties for the transactions mentioned against their names for a period of two years from April 1, 2006 to March 31, 2008 without exceeding the estimated value given hereunder:

S.No.	Contractee	Nature of the transaction	Estimated value of the contract
1.	LAPPL	To provide management consultancy services in the areas of project management, financial planning, corporate restructuring etc.	Rs. 3.0 Million per month
2.	LEPL	To provide management consultancy services in the areas of project management, financial planning, corporate restructuring etc.	Rs. 2.5 Million per month
3.	LGPPL	To provide management consultancy services in the areas of project management, financial planning, corporate restructuring etc.	Rs. 0.5 Million per month
4.	VHEPL	To provide management consultancy services in the areas of project management, financial planning, corporate restructuring etc.	Rs. 0.05 Million
5.	LHPVPL	To provide management consultancy services in the areas of project management, financial planning, corporate restructuring etc and to provide services of financial syndication.	10% fee on profit before tax and 4% fee on capital of Rs. 2,574.40 Million to be raised through the applicant company by syndication after the date of approval

7. Other Registrations

The Subsidiaries and LKPPL have also obtained the registrations under the following enactments, as may be applicable, to conduct their business activities, including:

- Licenses for power trading;
- Registration under the Contract Labour (Regulation and Abolition) Act, 1970;
- Registration under the shops and establishments law of each state where these Subsidiaries or Associates are located;
- Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952;
- Registration with the Income Tax Department, including, for Temporary Account Number and Permanent Account Number; and
- Registrations under the law governing the tax on professions, trade, calling and employment of each state where these Subsidiaries or Associates are located.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The Company, certain Subsidiaries and certain Associates have availed of certain loans in the form of foreign currency term loans, Rupee term loans, short term loans, working capital facilities, overdraft facilities, debentures and non-fund based limits like bank guarantees and letters of credit towards the execution of projects/contracts by them. For further details of these projects/ contracts, please refer to the section titled "Description of Certain Important Project Contracts" on page 92 of this Red Herring Prospectus. The details of our indebtedness in this regard, as on October 09, 2006 has been presented below:

Details of Secured Borrowings of the Company

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
1.	Agreement of Loan for Overall Limit dated May 26, 1997 with IndusInd Bank*	Bank Guarantee Limits	Rs. 100 million	Certain specified percentage	First charge on the receivables of the Company.
2.	Composite Agreement dated September 3, 2003 with Andhra Bank*	Term Loan and Guarantee Limit	Term Loan of Rs. 106.80 million, guarantee Limit of Rs. 150 million and overdraft facility of Rs. 10 million	Certain specified percentages both for the term loan and the guarantee (as and when the same is invoked) Repayment of the term loan in 36 quarterly installments commencing from September 30, 2005	1. Hypothecation of machinery worth Rs. 14.60 million; 2. Charge on current assets; and 3. Second charge on the fixed assets.
3.	Sanction Letter dated March 22, 2006 from Lord Krishna Bank*	Short-term working capital loan	Rs. 150 million	Certain specified percentages Rs. 75 million to be repaid at the end of the second year and the balance at the end of the third year.	1. Charge on current assets and fixed assets of the Company on a parri passu basis; and 2. Corporate Guarantee from Neptune Projects; and 3. Hypothecation of machinery, goods and book debts
4.	Term Loan Agreement dated March 8, 2006 with Indian Overseas Bank *	Long Term Working Capital	Rs. 250 million	Certain specified percentages over the PTLR Bullet repayment on or before March 31, 2009	First charge on machinery, fixed or movable
5.	Agreement for Repayment regarding Loan dated March 7, 2006 from Lakshmi Vilas Bank*	Short-term loan	Rs. 150 million	Certain specified percentages Bullet repayment within six months of the date of the drawdown, extendable to a further six months at the discretion of the lender	Promissory note from the Company for the loan amount

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
6.	Agreement for Corporate Loan dated May 20, 2006 between LITL and State Bank of Mysore	Corporate Loan	Rs. 200 million	Certain specified percentage. Repayment in 36 monthly installments commencing from March, 2007	First equitable mortgage charge on the both the movable and immovable properties and second charge on LITL's current assets.
7.	Agreement for Hypothecation of Goods / Book Debts as security for Letter of Credit Facility and Guarantee Facilities dated May 20, 2006 between LITL and State Bank of Mysore	Letter of Credit and Bank Guarantee	Letter of Credit for Rs. 100 million and Bank Guarantee for Rs. 150 Million.	To be repaid to the bank on demand.	Hypothecation of goods and book debts.
8.	Agreement for corporate loan dated August 2, 2006 from Indian Overseas Bank	Short term loan	Rs. 2000 million	Certain specified percentage. Repayable in one bullet payment within six months from the date of availment of the loan.	Personal guarantees from the promoter Directors.
9.	Renewal of credit facilities through letter dated June 1, 2006 between LITL and UCO Bank*	Cash credit, bank guarantee and letter of credit	Cash credit of Rs. 50 million, Bank guarantee limit of Rs. 100 million and Letter of Credit for Rs. 10 million	Certain specified percentage. Sanction valid for a period of six months.	1. Hypothecation of entire stock, book debts and other current assets of the Company, both present and future; and Counter guarantee of the Company.
10.	Composite Hypothecation Agreement dated May 24, 2006 between LITL and Bank of Baroda for the Anpara Power Project*	Overdraft and bank guarantee facilities	Overdraft limit of Rs. 150 million, Bank guarantee (regular) limit of Rs. 50 million and Bank guarantee (specific one time) limit of Rs. 500 million	Certain specified percentage. Sanction valid for a period of 12 months.	1. Hypothecation of raw materials/ stocks/ book debts/ finished goods/ movable plant and machinery, consumable stores and spares, both present and future and power of attorney of book debts of the Company; 2. Equitable mortgage of certain immovable property in the name of LITL; 3. Counter indemnity to be executed by LITL;

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
					4. Pledge of shares of Lanco Global Systems Limited held by Lanco Group Limited; and Corporate Guarantees of Ruby Agro Farms Private Limited and Lanco Group Limited.
11.	Sanction of credit facilities dated July 27, 2005 from Punjab National Bank for the Anpara Power Project*	Letter of Guarantee	Guarantee limit of Rs. 450 million	At a certain commission Sanction valid for a period of five years inclusive of the claim period.	1. Charge on the Lanco Anpara project assets; 2. Counter indemnity to be executed by LITL; 3. Pledge of 26% of the promoter's shareholding in Lanco Anpara; and The collateral security offered to Bank of Baroda shall rank pari passu.

* *In relation to this borrowing, the (erstwhile) promoter Directors have given personal guarantees to the relevant financial institutions. Further, except in relation to the facility from Lakshmi Vilas Bank, the promoter Directors of the Company have also provided certain collateral securities to the lending institution comprising of land/assets personally owned by them/their relatives.*

Details of Secured Borrowings of Aban

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Common Agreement dated September 18, 2003 between ABAN, Power Finance Corporation, Andhra Bank, Dena Bank, Indian Overseas Bank, Lakshmi Vilas Bank, Punjab National Bank, State Bank of Hyderabad, Syndicate Bank, UCO Bank and UTI Bank Limited and amendments thereto	Term loans and guarantee limit	• Indian Rupee facility of Rs. 2,060 million; • US Dollar component of USD 21.30 million; • Guarantee assistance of Rs. 150 million; and	Interest shall be paid on principal amount of the debt facility outstanding at the applicable interest rate for each lender.	1. Mortgage by deposit of title deeds of immoveable properties concerning the project and hypothecation of goods concerning the project; 2. Assign all rights, titles and interests of all contracts and insurance concerning the projects in favor of lenders in stipulated time and manner; 3. Continuing pledge of 74% of shareholding of Aban;

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
					4. Pledge of 8,100,000 equity of Lanco Industries Limited held by the Company and other group entitles; 5. Pledge of 2 million shares of the Company held by Prince Stone Investments Limited; and 6. Charge on any future immoveable property.

* In relation to the aforementioned borrowing, the (erstwhile) promoter Directors of the Company have given personal guarantees to the relevant financial institutions.

Details of Secured Borrowings of Lanco Green

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Common Agreement dated March 13, 2006 and Senior Rupee Loan Facility Agreement dated March 13, 2006, both with ICICI Bank Limited	Term Loan Facility	Rs. 2,940 million	Interest at a specified rate per annum below the aggregate of the lender's bank advance rate and the applicable term premium prevailing on the date of drawdown of such advance. The loan is repayable in 60 quarterly installments. The first installment is payable on the date of falling after nine moths commencement of commercial operations or 45 months from financial close, whichever is earlier and further installments are payable therefrom.	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets, including but not limited to the goodwill and uncalled capital of the borrower; 3. Charge/assignment of all revenues, receivables and rights of the borrower from the project; 4. Charge/assignment on all borrower's accounts; 5. Charge on all the construction and operating period insurance policies relating to the project; 6. Pledge of shares held by Lanco Hydro constituting 30% of the issued

S. No.	Agreement with Lender		Amount Sanctioned	Repayment and Interest	Security*
					and paid up equity shares of the borrower and a non disposal undertaking in relation to all other shares; and 7. Charge on each letter of credit/ guarantee or performance bond that may be posted by any party in relation to the project.
2.	Common Agreement dated March 13, 2006 and Subordinate Rupee Facility Agreement dated March 13, 2006	Subordinate Term Loan	Rs. 410 million	Interest at a specified rate per annum below the aggregate of the lender's bank advance rate and the applicable term premium prevailing on the date of drawdown of such advance. The loan is repayable in 20 quarterly installments. The first installment is payable on the date falling after 180 months of commencement of commercial operations and further installments are payable therefrom.	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets, including but not limited to the goodwill and uncalled capital of the borrower; 3. Charge/assignment of all revenues, receivables and rights of the borrower from the project; 4. Charge/assignment on all borrower's accounts; 5. Charge on all the construction and operating period insurance policies relating to the project; 6. Pledge of shares held by Lanco Hydro constituting 30% of the issued and paid up equity shares of the borrower and a non disposal undertaking in relation to all other shares; and

S. No.	Agreement with Lender		Amount Sanctioned	Repayment and Interest	Security*
					7. Charge on each letter of credit/ guarantee or performance bond that may be posted by any party in relation to the project. 8. Provided however that the security created to secure the Senior Rupee Loans shall rank prior to the security created to secure the Subordinated Rupee Loans.

* In relation to the aforementioned borrowing, the (erstwhile) promoter Directors of the Company have given personal guarantees to the relevant financial institutions.

Details of Secured Borrowings of Vamshi Hydro

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Common Agreement dated March 14, 2006 with State Bank of India, State Bank of Hyderabad , State Bank of Bikaner and Jaipur, State Bank of Patiala and State Bank of Mysore	Term Loan	Rs. 417.00 million	A formula based on the prime lending rates of each of the lenders in respect of the component provided by them The loan is repayable in 36 quarterly installments.	1. Charge on the land, structure and fixed assets of Vamshi Hydro; and 2. Pledge of 51% shareholding of Vamshi Hydro held by LHPVL.

* In relation to the aforementioned borrowing, the (erstwhile) promoter Directors of the Company have given personal guarantees to the relevant financial institutions.

Details of Secured Borrowings of Rithwik

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Sanction Letter dated September 3, 2003 issued by Andhra Bank	Rupee Term Loan	Rs. 182.7 million	Interest at the specified rate Repayment in 28 quarterly installments commencing June 30, 2004.	1. First charge on fixed assets of the borrower whose written down value was Rs. 250.761 million on March 31, 2003; 2. Pledge of shares of Rithwik Energy Systems Limited whose face value is Rs. 37 million; 3. Corporate Guarantee has been provided by the Company

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
2.	Sanction letter dated July 13, 2005 issued by UCO Bank	Credit limit	Ad hoc limit of Rs. 7.5 million	Interest at a specified rate over the existing rate.	1. Hypothecation on all the current assets of Rithwik including imported/ indigenous raw materials, semi-finished/ finished goods etc; 2. charge on immoveable and moveable fixed assets of Rithwik
3.	Sanction letter dated May 28, 2005 issued by UCO Bank	Cash Credit Limit	Rs. 45 million	BLPR, subject to revision by the Bank depending on the Bank's BPLR and the Company's credit rating	1. Hypothecation on all the current assets of Rithwik including imported/ indigenous raw materials, semi-finished/ finished goods etc; 2. charge on immoveable and moveable fixed assets of Rithwik

* *In relation to the aforementioned borrowings, the (erstwhile) promoter Directors of Rithwik Energy Systems Limited have given personal guarantees to the relevant financial institutions.*

Details of Secured Borrowings of Vamshi Industrial

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
1.	Common Agreement dated March 14, 2006 with State Bank of India, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Patiala and State Bank of Mysore	Term Loan	Rs. 431.30 million	A formula based on the prime lending rates of each of the lenders in respect of the component provided by them The loan is repayable in 36 quarterly installments commencing from the date which is 12 months from COD.	1. Charge on the land, structure and fixed assets of Vamshi Industrial; and 2. Pledge of 51% shareholding of Vamshi Industrial held by LHPVL.

Details of Secured Borrowings of Clarion

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
1.	Loan Agreement dated November 2, 2002 with Andhra Bank	Term Loan	Rs. 94.00 million	Certain specified percentages or such other rates as may be fixed by the RBI, SIDBI, IDBI, NABARD, from time to time which is be calculated on the daily balances of the said account and would be charged monthly and would be treated as a part of the principal amount. The loan is repayable in quarterly installments commencing from October 1, 2004	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Open a trust and retention account and enter into a trust and retention agreement; 4. Hypothecation of all movable assets; and 5. Pledge of shares held aggregating to 100% of the total issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.
2.	Open Cash Credit Facility provided by Andhra Bank on March 1, 2006 *	Open Cash Credit	Rs. 36.00 million	Interest at the lending rate	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Open a trust and retention account and enter into a trust and retention agreement; 4. Hypothecation of all movable assets; and 5. Pledge of shares held aggregating to 100% of the total issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
3.	Rupee Term Loan Agreement dated November 1, 2002 with PFC*	Rupee term loan	Rs. 235 million	Certain specified percentages per annum. However interest rate is taken as the higher of the interest rates of PFC and Andhra Bank prevailing on the date of each disbursement. The loan is repayable in 32 quarterly installments starting from July 1, 2004.	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Open a trust and retention account and enter into a trust and retention agreement; 4. Hypothecation of all movable assets; and 5. Pledge of shares held aggregating to 100% of the total issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.

* *In relation to the aforementioned borrowings, the (erstwhile) promoter directors of Clarion have given personal guarantees and collateral securities to the relevant financial institutions.*

Details of Secured Borrowings of Lanco Amarkantak (Unit I)

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Common Senior Rupee Debt A Agreement dated August 4, 2005 with the Power Finance Corporation, Rural Electrification Corporation Limited, Andhra Bank, Canara Bank, Bank of India, Indian Overseas Bank, Syndicate Bank, Indian Bank, Allahabad Bank and UCO Bank	Term loans	Rs. 9,043.4 million	Interest shall be paid on principal amount of the debt facility outstanding at the applicable interest rate for each lender. The repayment of the loan is to be made in 48 quarterly instalments commencing from October 15, 2008 or the first repayment date falling six months after the COD, which ever is earlier.	1. Mortgage of immoveable properties and hypothecation of the movable properties, present and future, concerning the project; 2. Charge on all intangible assets, cash flows, book debts and all receivables and revenues from the project; 3. Assign all rights, titles and interests of all contracts and insurance concerning the projects in favor of lenders in stipulated time and manner;

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
					4. Continuing pledge of 51% of shareholding of LAPPL; and 5. Pledge of 26% of the promoters interest in favour of the lenders subject to release upon satisfactory operation of project and discretion of the lenders.
2.	Common Senior Rupee Debt B Agreement dated August 4, 2005 with the Power Finance Corporation, Rural Electrification Corporation Limited, Andhra Bank, Canara Bank, Bank of India, Indian Overseas Bank, Syndicate Bank, Indian Bank, Allahabad Bank and UCO Bank	Term loans	Rs. 1,291.9 million	Interest shall be paid on principal amount of the debt facility outstanding at the applicable interest rate for each lender. The repayment of the loan is to be made in 48 quarterly instalments commencing from October 15, 2008 or the first repayment date falling six months after the COD, which ever is earlier.	1. Mortgage of immoveable properties and hypothecation of the movable properties, present and future, concerning the project; 2. Charge on all intangible assets, cash flows, book debts and all receivables and revenues from the project; 3. Assign all rights, titles and interests of all contracts and insurance concerning the projects in favor of lenders in stipulated time and manner; 4. Continuing pledge of 51% of shareholding of LAPPL; and 5. Pledge of 26% of the promoters interest in favour of the lenders subject to release upon satisfactory operation of project and discretion of the lenders.

* *In relation to the aforementioned borrowing, the (erstwhile) promoter Directors of LAPPL, have given personal guarantees to the relevant financial institutions.*

Details of Secured Borrowings of Lanco Amarkantak (Unit II)

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
1.	Common Senior Rupee Debt A Agreement dated June 19, 2006 (as amended from time to time) with Power Finance Corporation, Andhra Bank, Bank of India, Canara Bank, Housing and Urban Development Corporation, India Infrastructure Finance Company Rural Electrification Corporation, Indian Bank, Indian Overseas Bank, Small Industries Development Bank of India, Syndicate Bank, Power Finance Corporation (as a lenders agent) and Power Finance Corporation (as a security agent)	Term loans	Aggregating to Rs. 9,380.3 Million	Interest shall be paid on the principal amount of the debt facility outstanding at the applicable interest rate and on such date as is specified for each lender. The Borrower undertook repay the principal amount to each of the lenders in 48 quarterly installments commencing from April 15, 2010 or from the first repayment date, which is six months from the COD, whichever is earlier.	1. The following securities are created pari passu in favour of the security agent (PFC) for the benefit of the lenders: 2. Mortgage of immoveable properties (including Unit I and Unit II) and hypothecation of the movable properties, present and future, concerning the project; 3. Charge on all intangible assets, cash flows, book debts and all receivables and revenues from the project; 4. Assign all rights, titles and interests of all contracts and insurance concerning the projects in favor of lenders in stipulated time and manner; 5. Pledge of 51% of the promoters' equity interest in favour of the lenders and an additional pledge of 26% exclusively in favour of the Senior Rupee Debt B Lenders of Units I and II#.
2.	Common Senior Rupee Debt B Agreement dated June 19, 2006 (as amended from time to time) with Power Finance Corporation, Andhra	Term loans	Rs. 1,340 Million	Interest shall be paid on the principal amount of the debt facility outstanding at the applicable interest rate and on	1. The following securities are created pari passu in favour of the security agent (PFC) for the

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security
	Bank, Bank of India, Canara Bank, Housing and Urban Development Corporation, India Infrastructure Finance Company Rural Electrification Corporation, Indian Bank, Indian Overseas Bank, Small Industries Development Bank of India, Syndicate Bank, Power Finance Corporation (as a lenders agent) and Power Finance Corporation (as a security agent)			such date as is specified for each lender. The Borrower undertook repay the principal amount to each of the lenders in 48 quarterly installments commencing from April 15, 2010 or from the first repayment date, which is six months from the COD, whichever is earlier.	benefit of the lenders: 2. Mortgage of immoveable properties (including Unit I and Unit II) and hypothecation of the movable properties, present and future, concerning the project; 3. Charge on all intangible assets, cash flows, book debts and all receivables and revenues from the project; 4. Assign all rights, titles and interests of all contracts and insurance concerning the projects in favor of lenders in stipulated time and manner; 5. Pledge of 51% of the promoters' equity interest in favour of the lenders and an additional pledge of 26% exclusively in favour of the Senior Rupee Debt B Lenders of Units I and II#.

After a period of six months from the COD and upon satisfactory operation of the Lanco Amarkantak Power Project, the security agent may release 25% of the pledged equity shares of the promoters. Further, upon the total outstanding facilities reaching less than 50% of the project cost or if the debt-equity ratio is better than 70:30, whichever is later, the Senior Rupee Debt B Lenders of Units I and II, may, at their sole discretion, release the promoters' equity interest, which has been exclusively pledged with them.

* *the secured obligations of LAPPL shall be further guaranteed by personal guarantees in favour of Senior Rupee Debt B lenders Unit II by the (erstwhile) promoter Directors of LITL.*

Details of Secured Borrowings of Lanco Kondapalli

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Rupee Term Loan Agreement dated December 4, 1998 with Power Finance Corporation Limited	Term Loan Facility	Rs.1,665 million	Interest at a specified percentage per annum above the prime lending rate The loan is repayable in 34 quarterly installments commencing from December 15, 2001.	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Charge over all project contracts, insurance receipts and bank accounts; 4. Hypothecation of all movable assets except book debts; and 5. Pledge of shares held constituting 51% of the issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.
2.	Foreign Currency Loan Agreement dated December 4, 1998 with Power Finance Corporation Limited	Foreign Currency Term Loan	US $ 12.50 million	Certain specified percentages The loan is repayable in 34 installments commencing from April 15, 2002.	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Charge over all project contracts, insurance receipts and bank accounts; 4. Hypothecation of all movable assets except book debts; and 5. Pledge of shares held constituting 51% of the issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
3.	Foreign Currency Loan Agreement dated November 26, 1998 with Industrial Finance Corporation of India Limited	Foreign Currency Term Loan	US $ 9.375 million	Interest at the rate of a certain specified percentage per annum above the US $ LIBOR The loan is repayable in half-yearly installments commencing from December 15, 2001	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Charge over all project contracts, insurance receipts and bank accounts; 4. Hypothecation of all movable assets except book debts; and 5. Pledge of shares held constituting 51% of the issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.
4.	Foreign Currency Loan Agreement dated December 5, 1998 with the Industrial Development Bank of India	Foreign Currency Term Loan	US $ 6.25 million	Interest at the rate of a certain specified percentage per annum above the US $ LIBOR The loan is repayable in 34 quarterly installments commencing from October 1, 2001	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Charge over all project contracts, insurance receipts and bank accounts; 4. Hypothecation of all movable assets except book debts; 5. Pledge of shares held constituting 51% of the issued and paid up equity shares of the borrower; and 6. Corporate guarantee by the Issuer.

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
5.	Foreign Currency Loan Agreement dated December 5, 1998 with Bank of Baroda	Foreign Currency Term Loan	US $ 5 million	Interest at the rate of a certain specified percentage per annum above the US $ LIBOR The loan is repayable in half-yearly installments commencing from December 15, 2001	1. Mortgage and charge over all immoveable properties, present and future, of the borrower; 2. Charge on all intangible assets; 3. Charge over all project contracts, insurance receipts and bank accounts; 4. Hypothecation of all movable assets except book debts; and 5. Pledge of shares held constituting 51% of the issued and paid up equity shares of the borrower.

* *In relation to the aforementioned borrowings, except in relation to the facility from Bank of Baroda, the (erstwhile) promoter Directors of LITL have given personal guarantees to the relevant financial institutions.*

Details of Secured Borrowings of Lanco Hills

S. No.	Agreement with Lender	Nature of borrowing/ debt	Amount Sanctioned	Repayment and Interest	Security*
1.	Term Loan Agreement dated June 21, 2006 with Punjab National Bank (lead bank); Indian Overseas Bank; Bank of Baroda; Andhra Bank; Syndicate Bank; Canara Bank; Indian Bank; Central Bank of India; and Vijaya Bank	Term Loan	Rs. 3750 million	Interest to be payable in monthly rests at a specified rate per annum. Repayable in three equal annual installments at the end of the 3rd, 4th and 5th years from the date of the agreement.	1. Mortgage of 50 acres of land situate in R.S No. 201, Manikonda Jagir Village (Lanco Hills), Rajendranagar mandal, R.R. District, AP together with the buildings, superstructures, infrastructures, amenities and other immoveable assets present and future to be constructed by the borrower thereon; 2. Hypothecation of the whole of the borrower's moveable assets, including receivables, present and future.

* *In relation to the aforementioned borrowing the (erstwhile) promoter Directors of LITL have given personal guarantees to the relevant financial institutions.*

The loan agreements in relation to the aforementioned loans and sanction letters provide for certain negative and restrictive covenants applicable to the borrowers that must be observed by the Company and its aforementioned Subsidiaries. These covenants include restrictions on:

1. amending the memorandum and articles of association of the borrower without the prior written consent of the lenders.
2. alteration of its capital structure or withdrawal of moneys brought in or shares held by the Promoters or relatives and friends of the Promoters or Directors of the Company, without the consent of the lender.
3. any change in the ownership or control of the borrower or effecting any material change/expansion in the business or management of the business, without the prior consent of the lender.
4. issuing equity or preference capital or securities convertible into equity or raising any loans or accepting deposits from public or changing its capital structure, without the consent of the lender. The lender also has a right to appoint a nominee a Director on the Board of the Company.
5. making any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern without the approval of the lenders except in ordinary course of business.
6. declaring dividend, without ensuring that the dues of the relevant financial institution, as may be due during that period have been duly paid and without the consent of the lender.
7. removing any person exercising managerial control, without the prior consent of the lender.
8. No further projects/ expansion of an existing project/ further investment/ leasing assets without written prior consent of facility agent.

Further, for the purposes of financing the Nagarjuna Power Project, NPCL is desirous of availing debt facilities from a consortium of financial institutions of which PFC is the lead member. Whilst definitive documentation in this regard is in the process of being negotiated and finalized, the details of facilities that were sanctioned by these financial institutions to NPCL but against which no drawals have been made by NPCL, are as under:

- PFC through its letter dated March 29, 2005 (amended on July 19, 2006) sanctioned Senior Debt A of Rs. 8,310 Million and Senior Debt B of Rs. 1,190 million;
- Allahabad Bank through its letter dated September 16, 2006 sanctioned Senior Debt A of Rs. 2,625 Million, Senior Debt B of Rs. 375 million, Letter of Credit with a limit of Rs. 3,000 Million and Bank Guarantee with a limit of Rs. 500 Million;
- Bank of Baroda through its letter dated August 23, 2006 sanctioned Senior Debt A of Rs. 2,625 Million, Senior Debt B of Rs. 375 million, Letter of Credit with a limit of Rs. 3,000 Million, Bank Guarantee with a limit of Rs. 500 Million and Inland/ Import Letter of Credit for capital goods with a limit of Rs. 5,000 Million;
- Indian Overseas Bank through its letter dated September 7, 2006 sanctioned Senior Debt A of Rs. 1,750 Million, Senior Debt B of Rs. 250 million and Letter of Credit with a limit of Rs. 2,000 Million;
- Oriental Bank of Commerce through its letter dated September 26, 2006 sanctioned Senior Debt A of Rs. 875 Million, Senior Debt B of Rs. 125 million and Letter of Credit with a limit of Rs. 1,000 Million;
- Syndicate Bank through its letter dated September 21, 2006 sanctioned Senior Debt A of Rs. 1,750 Million, Senior Debt B of Rs. 250 million, Letter of Credit with a limit of Rs. 2,000 Million and Bank Guarantee with a limit of Rs. 500 Million;
- Bank of India through its letter dated October 4, 2006 sanctioned Senior Debt A of Rs. 2,187.50 Million, Senior Debt B of Rs. 312.50 Million, Letter of Credit with a limit of Rs. 2,500 Million and Bank Guarantee with a limit of Rs. 500 Million;
- Dena Bank through its letter dated October 3, 2006 sanctioned Senior Debt A of Rs. 875 Million, Senior Debt B of Rs. 125 Million and Letter of Credit with a limit of Rs. 1,000 Million;
- Indian Bank through its letter dated October 5, 2006 sanctioned Senior Debt A of Rs. 1,750 Million, Senior Debt B of Rs. 250 Million and Letter of Credit with a limit of Rs. 2,000 Million;
- India Infrastructure Finance Company Limited through its letter dated October 11, 2006 sanctioned Senior Debt A of Rs. 4,375 Million and Senior Debt B of Rs. 625 Million;
- Canara Bank through its letter dated October 10, 2006 sanctioned Senior Debt A of Rs. 2,000 Million, Senior Debt B of Rs. 500 Million and Bank Guarantee limit of Rs. 1000 Million;
- Punjab National Bank through its letter dated October 11, 2006 sanctioned Senior Debt of Rs. 2,625 Million and Subordinate Debt of Rs. 375 Million. Further, as a sub-limit it also sanctioned a Letter of Credit with a limit of Rs. 3,000 Million; and
- Union Bank of India through its letter dated October 13, 2006 sanctioned Senior Debt A of Rs. 2,625 Million, Senior Debt B of Rs. 375 Million and Letter of Credit with a limit of Rs. 3,000 Million.

The above loans would be against certain security that NPCL would have to create that includes charges over its immoveable and moveable properties present and future, the pledge of LITL's shares in NPCL and personal guarantees by the (erstwhile) promoter Directors of LITL. Further, the sanction letters from Punjab National Bank and Union Bank of India provide that LITL is required to provide corporate guarantee for the entire project senior and subordinate debts for a period of one year form actual COD of Nagarjuna Power Plant.

Further, the above sanction letters contain certain restrictive covenants restricting LITL (along with the promoters of NPCL) from performing certain acts that include restrictions on divestment of shareholding in NPCL, committing fresh equity in any other new project till the payment of the committed equity in NPCL, declaration of dividend. Also, the sanction letters provide that (a) in the event of privatization of Discoms (principal buyers in terms of the PPA) during the currency of the loan, LITL would provide the additional collateral security as stipulated by the lenders led by PFC; (b) in the event of working capital loan for the entire working capital requirement not being arranged prior to the drawal of 90% of the debt, LITL would contribute the amount equal to the working capital margin from its own resources without recourse to lenders; (c) in the event of the cost of the Nagarjuna Power Project exceeding Rs. 42,991 Million, LITL is required to contribute the entire amount from its own resources; and (d) any time after the COD, PFC would have the right to convert at its option, the whole or part of the outstanding amount of the Senior Debt B into fully paid up equity shares of NPCL by giving notice in writing. The aforesaid loans would be subject to the terms and conditions of the definitive documents as and when the same are executed.

OTHER REGULATORY AND STATUTORY INFORMATION

Authority for the Issue

Our Board of Directors authorised a fresh issue of Equity Shares up to an amount of Rs. 30,000 million pursuant to a resolution passed at its meeting held on April 24, 2006. Our shareholders subsequently authorised the fresh issue of Equity Shares up to an amount of Rs. 30,000 million by a resolution passed unanimously at the EGM of the Company held on May 18, 2006. The Board of Directors has pursuant to the aforementioned resolution dated April 24, 2006 authorized the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Our IPO Committee authorised the Issue of 44,472,381 Equity Shares on July 31, 2006.

The Board pursuant to its resolution dated October 18, 2006 has approved and authorized this Red Herring Prospectus. The IPO Committee pursuant to its resolution dated October 21, 2006 has approved and authorized this Red Herring Prospectus.

Prohibition by SEBI, RBI or Governmental Authorities

Neither we, nor our Directors or the Promoter or the Promoter Group Companies, or the directors of our Promoter or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Neither we nor our Directors, associates, Promoters, Promoter Group companies or relatives of our Promoters have been detained as wilful defaulters by the RBI or Government authorities. There are no violations of securities laws committed by any them in the past or pending against them.

Further, the FIPB has through its letters dated September 4, 2006 and September 19, 2006 has confirmed that the Allotment of Equity Shares pursuant to the Issue to FIIs, FVCIs, NRIs and foreign nationals would fall under the automatic route and accordingly would not require any approval from the FIPB or the RBI.

Eligibility for the Issue

Clause 2.2.1 of the SEBI Guidelines stipulates that a company would be eligible to make an initial public offer of its equity shares only if it meets all the conditions specified in such Clause.

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI DIP Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;
- There has been no change in the name of our Company in the last one year and is compliant with Clause 2.2.1(d) of the SEBI DIP Guidelines;

However, Our Company is not compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines which states;

"*The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year*"

Since the Issue size is expected to exceed five times the pre-issue networth, as per the audited balance sheet of the last financial year, our Company is not compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.

Our net tangible assets, monetary assets, net profits and net worth as derived from the consolidated financial statements, as per Indian GAAP and included in this Red Herring Prospectus under the section titled "Financial Statements", as at, and for the last five years ended March 31, 2006 is set forth below:

(Rs in million)

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Net tangible assets *	258.13	137.91	503.09	320.17	337.69
Monetary assets **	813.09	538.70	221.33	322.03	347.11
Net profits	170.67	92.46	70.73	95.80	107.00
Net worth	954.28	783.61	691.66	620.42	662.69

* *Net tangible assets is defined as the sum of fixed assets including capital work in progress less Goodwill*

** *Monetary assets is defined as Cash on hand and bank balances and receivables and investments in liquid Mutual funds.*

The Company is eligible for the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines as explained below:

- The Issue is being made through the book building process with at least 50% of the Issue Size being allotted to QIBs failing which the subscription monies will be refunded; and
- The minimum post issue face value capital of the Company shall be Rs. 100 million.

As the Issue is for less than 25% of the post Issue capital, Rule 19(2)(b) of the SCRR governs the Issue and accordingly the Issue is subject to the fulfillment of the following conditions as required by Rule 19(2)(b) of the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Net Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of 60% of the Net Issue size to QIBs.

The Company undertakes that the number of Allottees in the Issue shall be at least 1,000, otherwise the entire application money shall be refunded forthwith. Further, if at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay, subject to, and in accordance with, applicable law.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, JM MORGAN STANLEY PRIVATE LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, JM MORGAN STANLEY PRIVATE LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 7, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

*** JM Morgan Stanley Private Limited registration with SEBI expired on August 15, 2006. The application for renewal of certificate of registration in prescribed Form A was made by JM Morgan Stanley to SEBI three months before expiry of period of certificate on May 15, 2006 as required under Regulation 9(1) of SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is awaited. No communication has been received from SEBI rejecting the said application.**

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS"

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS."

THE BOOK RUNNING LEAD MANAGERS AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, ANDHRA PRADESH AT HYDERABAD, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Note:

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site, www.lancogroup.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us, the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither the Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer from the Company and the BRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Further, each Bidder, where required, will be required to agree in the CAN that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any so-called P-Notes or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Disclaimer Clause of BSE

The Bombay Stock Exchange Limited ("**BSE**") has given vide its letter dated August 22, 2006 permission to this Company to use the BSE's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner:-

i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

ii) warrant that this Company's securities will be listed or will continue to be listed on the BSE; or

iii) take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to National Stock Exchange of India Limited ("NSE"). NSE has given vide its letter dated August 30, 2006 given permission to the Issuer to use the NSE's name in this Red Herring Prospectus as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed subject to the issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Andhra Pradesh at Hyderabad. The Registrar of Companies, Andhra Pradesh, hereby declares that it is not responsible for the financial soundness or correctness of statements. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Company and Underwriters, to act in their respective capacities, will be obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Andhra Pradesh located at Hyderabad, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

M/s Price Waterhouse, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The estimated Issue expenses are as under:

Expenses	**Expense breakdown***	
	% of total issue expenses	**% of total issue size**
Lead management fee and underwriting commissions	[●]	[●]
Advertising and Marketing expenses	[●]	[●]
Printing and stationery	[●]	[●]
Others (Registrars fee, legal fee, listing fee etc.)	[●]	[●]
Total estimated Issue expenses	[●]	[●]

* *will be incorporated after finalization of Issue Price*

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by the Company.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the engagement letters dated August 3, 2006 and the memorandum of understanding dated August 4, 2006, between LITL and JM Morgan Stanley Private Limited, Enam Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the memorandum of understanding dated June 6, 2006 between the Company and the Registrar, a copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post.

Companies under the Same Management

Except as stated in the sections titled "Our Promoters - Promoter Group" and "Our Subsidiaries and Associates" beginning on pages 150 and 199 respectively of this Red Herring Prospectus, there are no companies under the same management within the meaning of the erstwhile Section 370(1B) of the Companies Act.

Particulars Regarding Public or Rights Issues during the last five Years

We have not made any public issues or rights issues in the last five years.

However, pursuant to an EGM resolution dated February 15, 2001, our shareholders approved the public issue of 2,575,000 equity shares of Rs. 10 each for cash at a premium of Rs. 45 per equity share aggregating to Rs. 141,625,000. Towards this end, we had appointed Aryaman Financial Services Limited as the lead manager and had filed the offer document with SEBI. SEBI had through its letter dated April 18, 2001 provided us with its comments on the said offer document. However, as we were of the view that as the market conditions were not conducive at the time, we did not go ahead with the proposed issue and no allotment of shares towards the same was made.

Promise versus Performance

This is the first public Issue of the Company.

Outstanding Debentures or Bond Issues or Preference Shares

Except as disclosed in the section titled "Description of Certain Indebtedness" on page 262 of this Red Herring Prospectus, our Company has no outstanding debentures or bonds or preference shares.

Issues otherwise than for cash

Our Company has not made any previous issues of shares otherwise than for cash except as stated in the section titled "Capital Structure-Notes to Capital Structure" on page 17 of this Red Herring Prospectus.

Commission and Brokerage on Previous/Current Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Promise vis-à-vis performance

Issuer

Our Company has not undertaken any public issues of securities previously.

Listed ventures of Promoters

The listed ventures of our Promoters are

1. Lanco Global Systems Limited; and
2. Lanco Industries Limited.

For further details, please refer to the sections titled "Our Promoter – Promoter Group - Lanco Global Systems Limited – Promise v. Performance" and "Our Promoter – Promoter Group - Lanco Industries Limited – Promise v. Performance" on pages 155 and 158, respectively of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of despatch of the letters of Allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Company and Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed a Shareholders/Investors Grievance Committee on June 16, 2006 comprising of L. Sridhar, Non-Executive Vice-Chairman (the Chairman), S.C. Duggal, the Director and G. Venkatesh Babu, Managing Director.

We have also appointed C. Krishnakumar, the Company Secretary as the Compliance Officer for this Issue with effect from May 16, 2006.

Change in Statutory Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the statutory auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of resignation
M/s K.R. Babuji & Co., Chartered Accountants	September 27, 2005	Resigned on March 9, 2006
M/s Price Waterhouse	March 9, 2006	Continuing

Capitalization of Reserves or Profits

Our Company has not capitalized its reserves or profits during the last five years, except as stated in the section titled “Capital Structure” on page 16 of this Red Herring Prospectus.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Red Herring Prospectus.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits. Please see the section titled “Financial Statements – Notes to Accounts” on page F-1 of this Red Herring Prospectus for details of borrowings in our Company.

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated in the section titled “Related Party Transactions” on page 221 of this Red Herring Prospectus, and to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business. Further, please refer to the section titled “Our Promoter - Interests of Promoters and Common Pursuits” on page 149 of this Red Herring Prospectus.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or discharged or in connection with any application under relevant provisions of the Companies Act in which relief is given to them by the relevant court.

Our Articles provide that where our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors any loss in respect of such liability.

On June 7, 2006, our shareholders approved our ESOS whereunder certain of our Directors also received options for our Equity Shares. For further details, please refer to Note 21 to the section titled “Capital Structure – Notes to Capital Structure” on page 17 of this Red Herring Prospectus.

Payment or benefit to officers of Our Company

No officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

SECTION VII – ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Company's Memorandum of Association and Articles of Association, the terms of the Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Our Board of Directors authorised a fresh issue of Equity Shares up to an amount of Rs. 30,000 million pursuant to a resolution passed at its meeting held on April 24, 2006. Our shareholders subsequently authorised the fresh issue of Equity Shares up to an amount of Rs. 30,000 million by a resolution passed unanimously at the EGM of the Company held on May 18, 2006. The Board of Directors has pursuant to the aforementioned resolution dated April 24, 2006 authorized the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Our IPO Committee authorised the Issue of 44,472,381 Equity Shares on July 31, 2006.

The Board pursuant to its resolution dated October 18, 2006 has approved and authorized this Red Herring Prospectus. The IPO Committee pursuant to its resolution dated October 21, 2006 has approved and authorized this Red Herring Prospectus.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Company's Memorandum of Association and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares of the Company including rights in respect of dividends. The Person in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and/or other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Face Value and Issue Price

The Equity Shares are being offered in terms of this Red Herring Prospectus as part of the Issue at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the Equity Share is Rs. 10 and the Issue Price is 20.0 times of the face value at the lower end of the price band and 24.0 times at the higher end of the price band.

Rights of the Equity Shareholder

Subject to applicable laws rules, regulations and guidelines and the Articles of Associations, the holders of our Equity Shares shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability;
- Right to receive AGM and EGM notices; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of the Articles of Association" beginning on page 317 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 25 Equity Shares. For details of allocation and Allotment, please refer to the section titled "Issue Procedure" beginning on page 289 of this Red Herring Prospectus.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or to the Registrar to the Issue and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with applicable laws of such jurisdiction.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Net Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid/ Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Further, in terms of Rule 19(2) (b) of SCRR, if at least 60% of the Net Issue cannot be allocated to QIBs, all application money shall be refunded forthwith.

Arrangements for disposal of odd lots

There are no arrangements for disposal of odd lots.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, India.

Application in Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

ISSUE STRUCTURE

The present Issue of 44,472,381 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process. The Issue comprises a net Issue to the public of up to 43,972,381 Equity Shares of Rs. 10 each and a reservation for Eligible Employees of up to 500,000 Equity Shares of Rs. 10 each, at the Issue Price. The Issue would constitute 20% of the fully diluted post Issue paid up equity capital of the Company. The Net Issue would constitute 19.78% of the fully diluted post Issue paid up equity capital of the Company.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion@
Number of Equity Shares*	At least 26,383,429 Equity Shares.	Up to 4,397,238 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 13,191,714 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 500,000 Equity Shares
Percentage of Issue Size available for Allotment/ Allocation	At least 60% of Net Issue Size shall be allocated to QIBs. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 30% of the Net Issue or Net Issue less allocation to QIB Bidders and Non Institutional Bidders.	Up to 10 % of the Issue Size
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) 1,319,172 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) 26,383,429 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and which is a multiple of 25 Equity Shares.	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and which is a multiple of 25 Equity Shares.	25 Equity Shares and in multiples of 25 Equity Shares thereafter.	25 Equity Shares and in multiples of 25 Equity Shares thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Not exceeding 500,000 Equity Shares
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion@
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply#	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions, societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	Eligible Employees
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of at the time of submission of Bid-cum-Application Form to the Syndicate Members.	Margin Amount at the time of submission of Bid-cum-Application Form to the Syndicate Members.	Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Syndicate Members.

* *Subject to valid Bids being received at or above the Issue Price and subject to a minimum of 60% of the Issue being allocated to QIBs. In terms of Rule 19(2)(b) of SCRR, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs including the Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, up to 10 % of the Issue would be available for allocation to Non-Institutional Bidders and up to 30% of the Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional Bidder category and the Retail Individual Bidder category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs. If the aggregate demand by Mutual Funds for Equity Shares is less than 1,319,172 Equity Shares, the balance Equity Shares available for allocation to Mutual Funds will be available for allocation to QIBs in proportion to their Bids.*

\# *In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid-cum-Application Form.*

@ *Undersubscription, if any, in the Employee Reservation Portion will be added back to Retail Individual Bidder Portion. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.*

Withdrawal of the Issue

The Company in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date but prior to Allotment, without assigning any reason thereof.

Bidding Period / Issue Period

BID/ISSUE OPENS ON	**:**	**MONDAY, NOVEMBER**	**6,**	**2006**
BID/ISSUE CLOSES ON	**:**	**FRIDAY, NOVEMBER**	**10,**	**2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form and uploaded till such time as permitted by the NSE and the BSE. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding /Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding /Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to NSE and BSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2) (b) of the SCRR, this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% book building process with an allocation of at least 60% of the Net Issue size to Qualified Institutional Buyers, with a minimum of two million securities being offered to the public and the minimum Issue size being at least Rs. 1,000 million. Out of the 60% of the Net Issue allocated to Qualified Institutional Buyers on a proportionate basis, 5% shall be available for allocation to Mutual Funds, up to than 10% of the Net Issue would be available for allocation to Non-Institutional Bidders and up to 30% of the Net Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, the entire application money will be refunded.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Amount (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut off price i.e. at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue
Eligible Employees	Pink

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI, on a repatriation basis;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As may be permitted by applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions;
- Eligible Employees; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by associates of BRLMs and Syndicate Members

The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients' account.

Application by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 1,319,172 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid-cum-Application Forms have been made available for NRIs at our registered office, members of the Syndicate and the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital, i.e. 2,236,191 Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid up capital. The aggregate holding by FIIs in a company cannot exceed 24% of its issued share capital, however, this limit of 24% may be increased up to the applicable sectoral cap by passing a board resolution and a special resolution of the shareholders authorizing such an increase.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account, including any affiliate or associate of any BRLM or Syndicate Member, may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI, respectively. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed the limits prescribed under these regulations.

SEBI issued a press release on June 26, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering, would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing of the draft prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter, so as to ensure that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIBs: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

(c) For Employee Reservation Portion: The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed 500,000 Equity Shares.

Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of its Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under any applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.

(d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section titled "Issue Procedure - Bids at Different Price Levels" on page 296 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page 298 of this Red Herring Prospectus.

(f) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS, for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

(g) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Issue Procedure - Terms of Payment and Payment into the Escrow Collection Accounts" on page 297 of this Red Herring Prospectus.

Bids at Different Price Levels and Revision of Bids

(a) The Price Band has been fixed at Rs. 200 to Rs. 240 per Equity Share of Rs.10 each, Rs. 200 being the lower end of the Price Band and Rs. 240 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (Rupee One).

(b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in which case the Bidding Period shall be extended in accordance with the SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper, and also by indicating the change on the web sites of the BRLMs, and at the terminals of the Syndicate Members.

(d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Collection Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Collection Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders bidding at the Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Collection Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs.7,000.

Escrow Mechanism

Our Company and members of the Syndicate shall open Escrow Collection Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow

Collection Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Collection Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Collection Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Collection Account/ refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Accounts

Each Bidder shall with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the applicable Margin Amount of his/ her Bid in favour of the Escrow Collection Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure" on page 292 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide its QIB Margin Amount only to a BRLM or Syndicate Members duly authorised by the BRLM in this regard. Bid Cum Application Forms accompanied by cash/Stockinvest/ money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Collection Escrow Collection Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date and no later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 289 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. QIBs will be required to deposit a margin of 10% at the time of submitting of their Bids.

If the payment is not made favouring the Escrow Collection Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres and the websites of BSE and NSE during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor (Investors should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.)
- Investor Category – Individual, Corporate, NRI, FII, FVCI or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Amount.
- Bid-cum-Application Form number.
- Whether Margin Amount has been paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotted either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure – Grounds for Technical Rejection" on page 307 of this Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the Company in consultation with the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss the pricing strategy with the Company.

(b) The Company, in consultation with the BRLMs, shall finalise the Issue Price.

(c) The allocation to QIBs of at least 60% of the Net Issue size (including 5% specifically reserved for Mutual Funds) and allocation to Non-Institutional Bidders of up to 10% of the Net Issue size and Retail Individual Bidders of up to 30% of the Net Issue, will be on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. **However, if the aggregate demand by Mutual Funds is less than 1,319,172 Equity Shares (assuming QIB Portion is 60% of the Net Issue size, i.e. 26,383,429 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** If a minimum Allotment of at least 60% of the Net Issue is not made to the QIBs, the entire subscription monies shall be refunded.

(e) Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Issue Closing Date.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Collection Account at the time of bidding shall pay in full the amount payable into the Escrow Collection Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Collection Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Collection Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The Issuance of CAN is subject to "Notice to QIBs - Allotment Reconciliation" as set forth under the section titled "Issue Procedure" on page 292 of this Red Herring Prospectus.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 (fifteen) days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Collection Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the Allottees shall be within 15 (fifteen) days from the Bid/Issue Closing Date.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;

(d) Investor must ensure that the name given in the Bid-cum-Application Form is exactly the same as the Name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the

Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have been given a TRS for all your Bid options;

(g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) Ensure that the Bid is within the Price Band;

(i) Submit the Bid with the applicable Margin Amount; Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid-cum-Application Form. If you have mentioned "Applied for" or "Not Applicable", in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(j) QIBs shall submit their bids only to the BRLMs or Syndicate Members duly appointed in this regard;

(k) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and

l() Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not Bid at Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);

(h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i) Do not submit Bid accompanied with Stockinvest;

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour or blue colour).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 25 Equity Shares and in multiples of 25 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100,000 and in multiples of 25 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Banks nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company or its Subsidiaries, who are Indian nationals, are based in India and are physically present in India on the date of submission of the Bid-cum-Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be :

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. Pink colour Form).

(b) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid-cum-Application Form.

(c) The sole/ first bidder should be Eligible Employees as defined above.

(d) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.

(e) Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

(f) Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.

(g) The maximum bid in this category by any Eligible Employee cannot exceed 5,00,000 Equity Shares.

(h) Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

(i) If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(j) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail Individual Bidder Portion in equal proportion. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

(k) If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to the section titled "Issue Procedure - Basis of Allotment" on page 309 of this Red Herring Prospectus.

(l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Bids by Non Residents including NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation;
4. By other eligible non-resident Bidders, for a minimum of such number of Equity Shares and in multiples of 25 thereafter that the Bid Amount exceeds Rs. 100,000.
5. For further details, please refer to the section titled "Issue Structure" on page 289 of this Red Herring Prospectus. In the names of individuals, or in the names of FIIs/FVCIs or Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for

the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that our Company and the BRLMs may deem fit.

Payment Instructions

The Company shall open Escrow Collection Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation/Allotment in the Issue.

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

Payment into Escrow Collection Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Collection Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Collection Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Collection Account should be drawn in favour of:
   (a) In case of Resident QIB Bidders: "Escrow Account –LANCO IPO – QIB - R"
   (b) In case of Non Resident QIB Bidders: "Escrow Account – LANCO IPO – QIB - NR"
   (c) In case of Resident Retail Individual Bidders: "Escrow Account – LANCO IPO - Retail - R"
   (d) In case of Non-Resident Retail Individual Bidders: "Escrow Account – LANCO IPO - Retail - NR"
   (e) In case of Resident Non-Institutional Bidders: "Escrow Account – LANCO IPO – Non-Institutional - R"
   (f) In case of Non-Resident Non-Institutional Bidders: "Escrow Account – LANCO IPO – Non-Institutional - NR"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.
5. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance~~d~~ or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
6. In case of Bids by FIIs/FVCIs/multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
7. The monies deposited in the Escrow Collection Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Collection Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-Cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.

2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted, each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended through a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars through its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. At present, investors are not required to provide a MAPIN.

Our Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
11. Bids for number of Equity Shares which are not in multiples of 25;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid-cum-Application Forms does not have the stamp of the BRLMs, or Syndicate Members;
18. Bid-cum-Application Forms does not have Bidder's depository account details;
19. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the U.S. Securities Act of 1933;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, see the details regarding the same in the section titled "Issue Procedure – Grounds for Technical Rejection" on page 307 of this Red Herring Prospectus;
24. Bids not duly signed by the sole/joint Bidders;
25. Bids accompanied with Stockinvests;
26. Bids by OCBs;
27. Bids in the Employee Reservation Portion by persons who are not Eligible Employees;
28. Non-provision of details of bank account for the refund; and
29. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated October 14, 2006 with NSDL, the Company and the Registrar to the Issue;

(b) Agreement dated October 5, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of allotted Equity Shares in the respective beneficiary accounts, refund orders etc.

Disposal of Applications and Application Moneys and Interest in case of Delay

The Company shall ensure dispatch of Allotment advice, refunds and give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section titled "Issue Procedure" on page 292 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The Registrar will send the electronic files with the refund data to the Bankers to the Issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk ; and
- We shall pay interest at the rate of 15% per annum if the Allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 13,191,714 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 13,191,714 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,397,238 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 4,397,238 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of Allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

    (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below.

(b) In the second instance, allocation to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 26,383,429 Equity Shares.

D. For Employee Reservation Portion

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiple of 1 Equity Share thereafter.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

For the method of proportionate basis of allocation, refer below.

Method of Proportionate Basis of Allotment in the QIB, Retail, Non-Institutional and Employee Reservation Portions

In the event of the Issue being over-subscribed, we shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorized according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(d) In all Bids where the proportionate Allotment is less than 25 Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate Allotment to a Bidder is a number that is more than 25 but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

A. Illustration of Allotment to QIBs and Mutual Funds (MF)

S. No.	Particulars	Issue details
1	Issue size	100 million equity shares
2	Allocation to QIB (60% of the Net Issue)	60 million equity shares
	Of which:	
	a. Reservation for Mutual Funds, (5%)	3 million equity shares
	b. Balance for all QIBs including Mutual Funds	57 million equity shares
3	Number of QIB applicants	10
4	Number of equity shares applied for	250 million equity shares

B. Details of QIB Bids

S. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	**250**

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 3 million equity shares to MF proportionately (please see note 2 below)	Allocation of balance 57 million equity shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	-	5.77	-
A2	10	-	2.31	-
A3	65	-	15.00	-
A4	25	-	5.77	-
A5	25	-	5.77	-
MF1	20	0.60	4.48	5.08
MF2	20	0.60	4.48	5.08
MF3	40	1.20	8.95	10.15
MF4	10	0.30	2.24	2.54
MF5	10	0.30	2.24	2.54
	250	**3.00**	**57.00**	**25.38**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 289 of this Red Herring Prospectus.
2. Out of 60 million equity shares allocated to QIBs, 3 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million shares in the QIB Portion.
3. The balance 57 million equity shares (i.e. 60 – 3 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 million shares (including 5 Mutual Fund applicants who applied for 100 million shares).
4. The figures in the fourth column titled "Allocation of balance 57 million equity shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= Number of equity shares Bid for x 57 / 247
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] x 57/247
   - The denominator for arriving at allocation of the balance 57 million equity shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.
   - The numerator for arriving at allocation of balance 57 million equity shares to the Mutual Fund applicants is reduced by the respective number of equity shares already allotted to each Mutual Fund in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- **Dispatch of refund orders**

  Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue; and
- **Interest in case of delay in dispatch of Allotment letters/refund orders**

  We shall pay interest at the rate of 15% per annum if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Modes of Refund

The payment of refund, if any, shall be undertaken in the following order of preference:

1. NEFT

   Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
2. ECS

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive the refund through direct credit or RTGS.

3. Direct Credit

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

4. RTGS

Applicants having a bank account at any of the abovementioned 15 centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. Refund Order

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertakings by Our Company

Our Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that the funds required for dispatch of refund orders /Allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

- Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

Investment in companies in the power sector (including generation, transmission, distribution and trading) except atomic energy falls under the RBI automatic approval route for FDI (including investment by NRIs) up to 100 %.

FDI up to 100% is permitted in construction and related engineering services. Further, the Industrial Policy now also permits foreign direct investment under the automatic route in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular bridges and ports and harbours.

FDI of up to 100% is permitted under the automatic route in townships, housing, built-up infrastructure and construction-development projects, subject to certain conditions contained in Press Note No. 2 (2005 series). A short summary of the conditions is as follows:

- Minimum area to be developed is 10 hectares in case of serviced housing plots and 50,000 square metres in case of construction development projects. Where the development is a combination project, the minimum area can be either 10 hectares or 50,000 square metres.
- Minimum capitalization of US$10 million for wholly owned subsidiary and US$5 million for a joint venture has been specified and it is required to be brought in within six months of commencement of business of the company.
- Further, the investment is not permitted to be repatriated before three years from completion of minimum capitalization except with prior approval from FIPB.
- At least 50% of the project is required to be developed within five years of obtaining all statutory clearances and the responsibility for obtaining it is cast on the foreign investor. Further, the sale of undeveloped plots is prohibited.
- Compliance with rules, regulations and bye-laws of State Government, municipal and local body has been mandated and the investor is given the responsibility for obtaining all necessary approvals.

In respect of investing companies in the infrastructure/service sector, foreign direct investment in such investing company should not exceed 49% and the management of the investing company should remain with the Indian owners. Further, the automatic route is not available. For companies in infrastructure/ service sector, where there is a prescribed cap for foreign investment, only the direct investment is considered for the prescribed cap and foreign investment in an investing company may not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49% and the management of the investing company is with the Indian owners.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents and residents to Non-Residents, subject to the terms and conditions, including pricing guidelines, specified in such circular. No approvals of the FIPB or the RBI are required for such Allotment of Equity Shares under this Issue. The Company may be required to make certain filings with the RBI after the completion of the Issue.

RBI has granted general permission under FEMA in respect of proposals approved by the Government. Indian companies getting foreign investment approval through FIPB route do not require any further clearance from RBI for the purpose of receiving inward remittance and issue of shares to the foreign investors. Such companies are however required to notify the concerned regional office of the RBI of receipt of inward remittances within 30 days of such receipt and to file the required documents with the concerned regional office within 30 days of issue of shares to the foreign investors or NRIs.

Subscription by Eligible Non-Residents

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

Investment by FIIs

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. The aggregate holding by FIIs in a company cannot exceed 24% of its issued share capital, however, this limit of 24% may be increased up to the applicable sectoral cap by passing a board resolution and a special resolution of the shareholders authorizing such an increase. However, we have not passed any resolutions to such effect.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

3. The Company shall commence business or exercise any of business borrowing power only after the requirements of Section 149 of the Act, shall have been compiled with.

5. The Authorised Capital of the Company is Rs. 250,00,00,000 (Rupees Two Hundred and Fifty Crores) divided into 25,00,00,000 (Twenty Five Crores Only) Equity Shares of Rs. 10/- (Rupees Ten only) each.

6. a) The Board may, at its discretion, convert the unissued Equity Shares into preference Shares and vice versa and the Board may issue any part or parts of the unissued shares upon such terms and conditions and with such rights and privileges annexed thereto as the Board at its discretion and subject to the provision of Sec. 86 of the Act thinks fit, and in particular may issue such shares with preferential or qualified right to dividends and in distribution of the assets of the Company as the Board may subject to the aforesaid sections determine.

   b) The board may, at its discretion issue any portion of the Preference Shares not already issued, as redeemable preference shares which are at the option of the Company liable to be redeemed and subject to the provisions of Sec. 80 of the Act on such terms as to dividends preferential payment or return of the amount paid up there and as to conditions and terms of redemption as the Directors may deem fit.

7. The Board shall duly comply with the provisions of Sec. 75 of the Act with regard to all allotment of Shares from time to time.

8. 1) The Board may, at any time increase the subscribed called of the Company by issue of new shares out of the unused part of the Share Capital in the original or subsequently created capital but subject to Sec. 81 of the Act and the following provisions, namely:-

   a) Where the offer and allotment of such shares are made within two years from the date of incorporation of the Company or within one year from the first allotment of shares made after its incorporation, whichever is earlier, the Board shall be at liberty to offer the shares and allot the same to any person or persons at their discretion.

   b) In respect of offers and allotment made subsequent to the date set out in clause (a) above, the Directors shall subject to the provision of Sec. 81 of the Act and sub clause (c) hereunder observe the following condition:-

      i. Such new shares shall be offered to the persons who at the date of the offer, are holders of the Equity Shares of the Company, incorporation as nearly as circumstances admit to the capital paid upon these shares at the date.

      ii. The offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than 30 days from the date of the offer within which the offer if not accepted will be deemed to have been decline.

      iii. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in clause (2) shall contain a statement of right.

      PROVIDED THAT the Board may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares to him.

      iv. After the expiry of the time specified in the notice aforesaid or earlier intimation from the person to whom such notice is given that he decline to accept the shares offered, the Board may dispose of them in such manner, as it thinks most beneficial to the Company.

   c) The Directors may with the sanction of the company in General Meeting offer and allot shares to any person at their discretion provided that such sanction is accorded either by;

      i. a special resolution passed at any General Meeting, or

      ii. by an ordinary resolution passed at a General Meeting by majority of the votes cast and with the approval of the Central Government in accordance with Sec. 81 of the Act.

8. (1A) Nothing in Article 8 (1)(b)(iii) hereof shall be deemed:

   i. to extend the time within which the offer should be accepted: or

   ii. to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

8. (1AA) Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the Capital of the Company for time being shall be under control to the Directors who may issue, allot or otherwise dispose of the same or any of

them so such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the Capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may also be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

2) Nothing in this clause shall apply to the increase subscribed capital of the Company caused by the exercise of an option attached to debentures issued or loans raised by the Company.

i) to convert such debentures or loans into shares in the Company, or

ii) to subscribe for shares in the Company.

Provided that terms of issue of such debentures or the term of such loans include a term providing for such option and such term.

In case of debentures or Loans or Other than Debentures issued to or Loans obtained from Government or Any Institutions specified by the Central Government in this behalf.

a) has been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or the raising of the loans and also.

b) either has been approved by the Central Government before the issue of debentures of the raising of the loans or is in conformity with the rules, if any, made by the Govt.. in this behalf.

3) Option or right to call of shares not be given to any person except with the sanction of the Company in General Meeting.

9. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 8 of the Company in General Meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportions and on such terms and conditions either at a premium or at par, or subject to compliance with the provisions of Section 79 of the Act, at a discount, as such General Meeting shall determine and with the power to give to any person (whether a member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par, or (subject to compliance with the provisions of Sec. 79 of the Act.) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment or disposal any shares.

10. The rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107, of then Act be varied with consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meetings the provisions of these Articles relating to General Meeting shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-tenth of the issued shares of that class.

11. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided for by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

12. The Company shall not issue any shares, not being Preference Shares, which carry voting rights or right in the Company as to dividend, capital or otherwise which are disproportionate to the rights attached to the holder of others shares not being preference shares.

14. 1) The Directors may allot and issue shares in the Capital of the Company as payment or part payment for any property sold or transferred goods or machinery and appliances supplied, or for services rendered to the Company in or about the formation or promotion of the company or the acquisition and or conduct of its business; and any shares which may be so allotted, may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid up shares.

2) The said power vested in the Board by this articles shall not be exercised except by the unanimous consent of all the Directors or with the previous sanction of a special resolution passed at a General Meeting of the Company.

15. Where two or more persons are registered as joint holders of any they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions :

    a) The person whose name stands first on the register in respect of such share shall alone be entitled to delivery of certificate thereof.

    b) Any one such persons may give effectual receipts for any dividend, bonus or returns of capital payable in respect of such shares and such joint holders shall be severally as well as jointly liable for payment of all installments and calls due in respect of such share/shares.

    c) Any one of such persons may vote at any meeting either personally or by proxy in respect of such shares, as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote respect thereof several executors or administrators, of a deceased member in whose names any share stands shall for the purpose of this article, be deemed as joint holders thereof.

    d) In case of death of any one or more of such joint holders, the survivors shall be the only persons, recognised by the Company as having any titled to or interest in such shares, but the Directors may require such evidence of death as they may deem fit and noting herein contained shall be taken to release the estate of deceased joint holder from any liability on shares held by him jointly with any other person.

    e) All notices directed to be given to the members shall be given to whichever such persons is named first in the register, and notice so given shall be sufficient notice to all the holders of such shares.

16. Every certificate of title to shares shall be issued under the seal of the Company. Every share certificate and every document of title to the shares whether in renewal of an existing share certificate or other document of title or issue for the first time shall be issued, under the authority of the Board of Directors and in accordance with provisions of the Companies (issue of Shares Certificate) Rules, 1960 or any modification thereof and in accordance with the provisions of law or other rule having the force of law applicable thereto.

17. 1) Every person whose name is rendered as a member in the Register shall be entitled to receive without payment

        a) One certificate for all his shares : or

        b) Where the shares so allotted at any one time exceed the number of shares fixed as marketable lot in accordance with the usages Stock Exchange, or at the request of share holder, several certificates one each per marketable lot and one for balance.

    2) The Company shall within three months after the allotment or within one month after application for the registration of the transfer of any shares or debentures complete and have ready for delivery the certificates for all the shares and debentures so allotted or transferred unless the condition of issue of the said shares or debentures otherwise provide.

    3) Every certificate shall be under the seal and shall specify the shares or debentures which it relates and the amount paid up thereon.

    4) The provisions of clauses (2) and (3) above shall apply mutatis, mutandis to debentures and debenture stock allotted or transferred.

    5) No fee shall be charged for the issue of a new share certificate either for sub-division of the existing share certificate or for consolidation of several share certificates into one or for issue of fresh share certificates in lieu of share certificates on the back of which there is no space for endorsement of transfer or for registration of any probate, Letters of Administration, Succession Certificate or like document or for registration of any Power of Attorney, Partnership Deed or other similar documents.

18. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefit of survivorship subject to the provisions following and to the other provisions of these articles relating to joint holder :

    a) The company shall not be bound to register more than four persons as joint holders of any share.

    b) The joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share.

    c) On the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to or interest in such shares but require such evidence of death as it may deem fit.

    d) Only one person whose name stands first in the Register as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share.

19. In respect of any transfer of shares registered in accordance with the provision of these articles, the Board may, at their discretion direct an endorsement of the transfer and the name of the transferee and other particular, on the existing share certificate and authorise any Director or Officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.

20. If a certificate be worn out, defaced, destroyed or lost or if there is no further space on the back thereof for endorsement of transfer, it shall if requested by replaced by a new certificate free of charge provided however that such new certificate shall not be granted except upon delivery of the worn out or defaced or used up certificate for the purpose of cancellation, in accordance with the companies (issue of Share Certificates) Rules, 1960 or upon proof of destruction or loss and on such indemnity as the Board may require in the case of the certificate having been destroyed or lost. Any duplicate certificate shall be marked as such.

    Every Certificate under the Article Shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

    Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or Rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or Rules applicable in this behalf.

    The Provisions of this Article Shall mutatis mutandis apply to debentures of the Company.

21. The Company shall have a first and paramount lien upon all the shares/debentures (Other than fully paid up shares/ debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale either or for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any shares/debentures shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of transfer of shares/debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provision of this Clause".

22. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they think fit but no sale shall be made until the expiration of 14 days after a notice in writing stating and demanding payment of such amount in respect of which the lien exists has been given to the registered holder of the shares for the time being entitled or the shares by reason of the death, or insolvency or to the person registered holder.

23. To give effect to such sale the Board of Directors may authorise some person to transfer the shares sold to the purchaser thereof any the purchaser shall be registered as the holder of the shares comprised in any such transfer. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

24. 1) The net proceeds of any such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

    2) The residue if any, shall subject to like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of sale.

25. Any moneys due from the Company to a shareholder, may without the consent of such shareholder, be applied by the Company in or towards payment of any money due from him either alone or jointly with any other person to the Company in respect of calls or otherwise.

26. Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the time, date and place or at the dates, times and places appointed by the Board of Directors.

27. The Board of Directors, may when making a call by resolution determine the date on which such calls shall be deemed to have been made not being earlier than the date of resolution making such call, and there upon the call shall be deemed to have been made on the date so determined and if no such date is fixed the call shall be deemed to have been made on the date on which the resolution of Board making the call was passed.

28. Not less than 14 days notice of any call shall be given specifying the date, time and place of payment provided that before the time for payment of such call, the Directors may by notice in writing to the members, extend the time for time for payment thereof.

29. If by the terms of issue of any shares or otherwise any amount is made payable at any fixed dates or by installments at fixed dates whether on account of the share or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been, and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

30. 1) If a sum called in respect of the share is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at such rate fixed by the Board of Directors from the day appointed for the payment thereof to the time of the actual payment, but the Board of Directors shall be at liberty to waive payment of that interest wholly or in part.

    2) The provision of this Article as to payment of interest shall apply in the case of non-payment of any such sum which by the terms of issue of a share becomes payable at a fixed date whether on account of the amount of the shares or by the way of premium, as if the same had become payable by virtue of a call duly made and notified.

31. The Board of Directors may, if they think fit, receive from any member willing to advance the same all or any part of the money uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would but for such advance become presently payable) pay interest at such rate not exceeding (without the sanction of the Company in General Meeting) 9% per annum as may be agreed upon between the member paying the sum in advance and the Board of Directors but shall not in receipt of such advances confer a right to the dividend or to participate in profits or to any voting rights. The Directors may at times repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by them until the same would but for such payment, become presently payable.

    The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

32. Neither a judgement nor a decree in favour of the Company, for calls or other moneys due in respect of any shares, nor any part payment or satisfaction thereunder, nor the receipt by the Company of a portion of any money which shall, from time to time be due from any member in respect of any share, either by way principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

33. If by any conditions of allotment of any share, the whole or part of the amount or issue price hereof shall be payable by installments, every such instalment shall, when due be paid to the Company by the person who for the time being from time to time shall be the registered holder of the share or his legal representative, or representatives, if any.

34. 1) The instrument of transfer of any shares in the company shall be executed both by the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect, thereof instrument of transfer shall be in respect of only one class of shares and should be in the form prescribed under Sec. 108 of the Act. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, 1956 and of any statutory modification thereof for the being shall be duly compiled with respect of all transfers of shares and registration thereof.

    2) The Board of Directors shall not register any transfer of shares unless a proper instrument of transfer duly stamped and executed by the transferrer and transferee has been delivered to the Company along with the certificate relating to the shares and such other evidence as the Company may require to prove the title of the transferrer or his right to transfer the shares Provided that where it is provided to the satisfaction of the Board of Directors that an instrument of transfer signed by the transferrer and transferee has been lost, the Company, may if the Board of Directors think for an application in writing made by the transferee and bearing the stamp required on an instrument of transfer, register the transfer on such terms as to indemnify as the Board of Directors may think fit.

    3) An application for the registration of the transferor of any share or shares may be made either by transferor or by the transferee. Provided that where such application is made by the tranferor no registration shall be in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and the Company shall unless objection is made by the transferee within 2 weeks from the date of receipt of the notice, enter in the register the names of the transferee in the same manner and subject to the same conditions as if the application for registration were made by the transferee.

    4) For the purpose of sub-clause (3) notice to the transfer shall be deemed to have been duly given if despatched by prepaid register post to the transferee at the address given in the instrument of transfer, and shall be deemed to have been delivered in the ordinary course of post.

    5) Nothing in clause (4) shall prejudice any powers of the Board to register as a shareholder any person to whom the right to any share has been transmitted by operation of law.

    6) Nothing in this Article shall prejudice the powers of the Board of Directors refuse to register the transfer of any shares, to transferee whether a member or not.

35. The shares in the Company shall be transferred by an instrument in writing in the prescribed form duly stamped and in the manner provided under the provisions of Sec. 108 of the Act. and any modification thereof and the Rules prescribed thereof.

36. 1) Subject to the provisions of Section 111 of the Act and Section 22 A of the Securities Contracts (Regulation) Act, 1956, the Board may at any time in their absolute discretion and without assigning any reason decline to register any transfer of or transmission by operation of law of the right to a share, whether fully paid-up or not and whether the transferee is a member of the Company or not and may also decline to register any transfer of shares on which the Company has a lien.

Provided further that registration of transfer shall not be refused on the ground of the transferor alone or either jointly with any other person or persons indebted to the Company, on any account except a lien on the shares. Transfer of Shares in whatever lot shall not be refused.

2) If the Board refuses to register any transfer or transmission of right, they shall within one month from the date on which the instrument of transfer the intimation of such transmission was delivered to the Company send notice of the refusal to the transferee and the transferor to the person giving intimation of such transmission, as the case may be.

3) In case of such refusal by the Board, the decision of the Board shall be subject to the right of appeal conferred by Section 111 of the Act.

4) The provisions of this clause shall apply to transfers of stock also.

37. The Board of directors may also decline to recognise any instrument of transfer unless :

a) The instrument of transfer is accompanied by the certificate of shares to which it related and such other evidence as the Board of Directors may reasonably require to show the right of the transfer to make the transfer and

b) The instrument of transfer is in respect of only one class of shares.

38. 1) Every endorsement upon the certificate any shares in favour of any transfer shall be signed by the Managing Director or by some other person for the time being duly authorised by the Managing director on his behalf. In case any transfer of a share shall apply for a new certificate in lieu of the old or existing certificate he shall be entitled to receive a new certificate in respect of which the said transfer has been applied for and upon his delivering up for cancellation every old or existing certificate which is to be replaced by a new one.

2) Notwithstanding any other provisions to the contrary in these presents, no fee shall be charged for any of the following, viz.

a) for registration of transfers and debentures, or for transmission for shares and debentures;

b) for sub-divisions and consolidation of share and debenture certificated and for sub-division of letters allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading.

c) for sub-division renounceable letter or right;

d) for issue of certificates in replacement of those which are old decrepit or worn out, or where the pages on the reverse for recording transfer have been fully utilised.

e) for registration of any power of attorney, probate, letters of administration, certificate of death or marriage and succession certificate similar other documents.

39. The company shall keep a book to be called the “Register of Members” and therein shall be entered the particulars of every transfer of transmission of any shares and all other particulars of shares required by the Act to be entered in such Register.

40. The instrument of transfer shall, after registration, remain in the custody of the Company. The Board may cause to be destroyed all transfer deeds lying with the company for a period of 6 years or more.

41. The Board of Directors may after giving not less than 7 days previous notice by advertisement in some news papers circulating in the districts in which the Registered Office of the Company is situated close to the Register of Members of the Register of Debenture holder for any period or periods or exceeding in the aggregate 45 days in each year but not exceeding 30 days at any one time.

42. 1) The executor or administrators of a deceased member (not being one of several joint holders) shall be the only persons recognised by the Company, as having any title to shares registered in the name or such member and in the case of death any one or more of the joint holder of any registered shares, the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares.

Provided that if the member should have been a member of joint Hindu family, the board on being satisfied to that effect and on being satisfied that the shares standing in his name infact belonging to the joint family may recognise the survivors or the karta thereof as having title to the shares registered in the name of such member. Provide further in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letter of administration or other legal representation upon such term as to indemnity or otherwise as to the board may deem just.

2) Nothing in clause (1) shall release the estate of deceased joint holder from any liability in respect of any shares which were jointly held by him with other persons.

43. 1) Any person becoming entitled to a share in consequence of the death or insolvency or a member, may upon such evidence being produced as may from time to time be required by the Board and subject as hereinafter provided elect, either :

a) to be registered himself as the holder of the shares; or

b) to make such transfer of the shares as the deceased or insolvent members could have made

2) The Board, shall in either cases, have the same right to decline or suspend registration as they would have had, if deceased or insolvent member had transferred the shares before his death or insolvency.

44. 1) If the person so becoming entitled shall elect to be registered as holder of the share himself he shall deliver or send to the Company a notice in writing by him stating that he so elects.

2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

3) All the limitations, restrictions and provisions of these regulations to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.

4) A person becoming entitled to a share by reason of death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may at any time, give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not compiled within 90 days the Board may thereafter withhold payment of all dividends, bonuses or other money payable in respect of the share, until requirements of the notice have been compiled with.

45. The Company shall incur no liability or responsibility whatsoever in consequence of their registering or giving effect to any transfers of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of persons having or claiming any equitable right title or interest to or in the same Shares not withstanding that the Company may have had notice of such equitable rights or referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attended to or give effect to any notice which may be given to it of any equitable rights title or interest or be under any liability whatsoever for referred to in the books of the Company, but the Company shall nevertheless be at liberty to have regard and attend to any such notice and give effect thereto if the Board shall think fit.

46. If a member fails to pay any call or instalment of a call on the day appointed for the payment thereof, the Board of Directors may at any time thereafter during such time as any part of such a call or instalment remain unpaid serve a notice on him requiring payment of so much of the call or instalment as unpaid, together with any interest, which may have accrued.

47. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of nonpayment on or before the day named the shares in respect of which the call was made will be liable to be forfeited.

48. If the requirements of any such notice as aforementioned are not complied with any share in respect of which the notice has been given may at any time thereafter before the payment required by the notice has been made be forfeited by resolution of the Board of Directors to that effect, such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

However Fully paid shares shall be free from all lien and in the case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.

49. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board of Directors may think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board of Directors may think fit;

50. A person whose shares have been forfeited shall cease to be member in respect of the forfeited shares but shall not withstanding remain liable to pay and shall forthwith pay the Company all moneys which at the date of forfeiture were presently by him to the Company in respect of the shares, but his liability shall cease if and when the Company received payment in full of the nominal amount of shares whether legal proceeding for the recovery of the same had been barred by limitation or not.

51. A duly verified declaration in writing that the declarant is a Director of the Company and that a share in the Company has been duly forfeited on a day stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and that declaration and receipt of the Company for the consideration if any given for the shares on the sale or disposition thereof, shall constitute a good title to the share, and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the shares be affected by way of irregularity or invalidity in the proceeding s in reference to the forfeiture, sale or disposal of the share.

52. The provision of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of share, become payable at a fixed time, whether on account of the amount of the share or by way of premium or otherwise if the same had been payable by virtue of a call duly made and notified.

53. The Company may by ordinary resolution convert all or any of its fully paid up shares of any denomination into stock and vice versa.

54. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit.

55. The holders of stock shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held the shares from which the stock arose, but not such privileges or advantages (except on winding up) shall be conferred by an amount of stock which would not if existing in shares, have conferred that privilege or advantage.

56. Such of the regulations contained in these presents (other than those relating to the share warrants) as or applicable to paid up, shares shall apply to stock and the words ‘share’ and ‘share-holder’ in these presents shall include ‘stock’ and stock-holder’ respectively.

57. The company may from time to time but subject to the provisions of Section 94 of the Act, alter the conditions of its Memorandum as follows :

a) Increase its share capital by such amount as it things expedient by issuing new shares.

b) Consolidate and divide all or any of its share capital into shares of larger amount that its existing shares

c) Convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denominations.

d) Sub-divide its share, or any of them, into shares of smaller amount than is fixed by the Memorandum, so however that in the sub-division the proportion between the amount, if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

e) Cancel any share, which at the date of the passing of the resolution if that behalf, have not be taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

f) The resolutions where by any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regard dividend, capital, voting or otherwise over or as compared with others.

58. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

59. The Company may by special resolution, reduce in any manner and with and subject to any incident authorised and consent required by law :

a) its share capital

b) any capital redemption reserve account or

c) any share premium account.

60 1) The company may issue share warrants subject to and in accordance with provisions of Sections 114 & 115 of the Act and accordingly, the Board may in their discretion, with respect to any share registered as fully paid-up on application in writing signed by the person registered as holder of the share and authenticated by such evidence,

if any, as the Board may, from time to time, require as to the identify of the person signing the application and on receiving the certificate if any of the share and the amount of the stamp duty on the warrant and such fees as the Board may from time to time prescribe, issue a share warrant and may provide by coupons or otherwise for the payment of the future dividends on the shares specified in the share warrant.

2) A share warrant shall entitle the bearer of the shares included in it and the shares shall be transferred by the delivery of the share warrant and the provisions of the Articles of the Company with respect to transfer and transmission of shares shall not apply thereto.

3) The bearer of a share warrant shall on surrender of the warrant to the Company for cancellation and on payment of such fee as the Board may from time to time prescribe, be entitled to have his name entered as a member in the Register of Members in respect of the shares include in the warrant.

61. 1) The bearer of a share warrant may at any time deposit the warrant at the Registered Office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising the other privileges of member at any meeting held after the expiry of two clear days from time of deposit as if his name were inserted in the Register of Members as the holder of the shares included in the deposit warrant.

2) Not more than one person shall be recognised as depositor of the share warrant.

3) The company shall on two days written notice return the deposited share warrant to the depositor.

62. 1) Subject as herein otherwise expressly provided no person shall as bearer of a share warrant sign a requisition for calling a meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled for receive any notice from the Company.

2) The bearer of a share warrant shall be entitled in all other respects the same privileges and advantages as if he was named in the Registered of Members as the holder of the shares included to the warrant and he shall be a member of the Company.

63. The Board may from time to time make rules as to the terms on which, if they shall fit a new warrant of coupon may be issued by way of renewal in case of defacement, loss or destruction of the original warrant or coupon.

64. 1) The Company shall within a period of not less than one month not more than six months from the date at which the Company is entitled to commence business hold a General Meeting of the members of the Company which shall be called the Statutory Meeting.

2) The Board of Directors shall, not less than 21 days before the date on which meeting is held forward a report called the Statutory Report to every member of the Company. Provided that if the Statutory Report is forwarded later than is required above, it shall not withstanding the fact be deemed to have been duly forwarded if it so agreed to by all the members entitled to vote at the meeting.

3) The Board of Directors shall comply with the Provisions of Section 165 in connection therewith.

65. The Company shall in addition to other Meetings hold a General Meeting which shall be styled as its Annual General Meeting at intervals and in accordance with the provisions specified below:-

a) The first Annual General Meeting of the Company shall be held within 18 months of its incorporation.

b) Thereafter an Annual General Meeting of the Company shall be held once in every calendar year within 6 months after the expiry of each financial year subject however to the power of the Registrar of Companies to extend the time within such a meeting can be held for a period not exceeding 3 months and subject thereto not more than 15 months shall elapse from the date of one annual General Meeting and that of the next.

c) Every Annual General Meeting shall be called for at a time during the business hours on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situated.

d) Notice calling such meeting shall specify them as the Annual General Meetings.

e) All other meetings shall be referred to as Extra-ordinary General Meetings.

66. The Board of Directors may whenever they think fit, convene an Extra-ordinary General Meeting at such time and such places they deem fit, subject to such directions if any, given by the Board, the Director or the Secretary may convene an Extra-ordinary General Meeting.

67. a) The Board of Directors shall on the requisition of such number of members of the Company as is specified below proceed duly to call an Extra-ordinary General Meeting of the Company and comply with the provisions of the Act in relation to meetings on requisition.

b) The requisition shall set out matters for consideration of which the meeting is to be called shall be signed by the requisitionists, and shall be deposited at the Registered Office of the Company or sent to the Company by registered post addressed to the Company at its Registered Office.

c) The requisition may consist of several documents in like forms, each signed by one or more requisitionists.

d) the number of members entitled to requisition a meeting with regard to any matter shall be such number of them holding at the date of the deposit or despatch to the Registered Office of the requisition, not less than 1/ 10th of such of the paid-up capital of the company as at that date carries the right of voting regards to the matter set out in the requisition.

e) If the Board of Directors do not, within 21 days from the date of deposit or requisition with regard to all matters proceed duly to call a meeting for the consideration of these matters on a date not later than 45 days from the date of deposit of the requisition the meeting may be called by the requisitionists themselves or such of the requisitionists as represent either majority in value of the paid-up share capital held by all of them or of not less than 1/10th of such paid-up capital of the Company as is referred to in sub-clause (d) above.

68. A General Meeting of the Company may be called by giving not less than 21 days notice in writing, provided that a General Meeting may be called after giving shorter notice if consent the thereto is accorded in the case of the Annual General Meeting by all members entitled to vote there at and in the case of any other meeting by members of the Company holding not less than 95% of that part of the paid-up share capital which gives the right to vote on the members to be considered at the meeting provided that where any members of the company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purpose of the Article in respect of the former resolution or resolutions and not in respect of the later.

69. The accidental omission to give notice of any meeting to or the non-receipt of any such notice by any of the members shall not invalidate the proceedings of, or any resolution passed at such meeting.

70. a) All business shall be deemed special that is transacted at any Extraordinary General Meeting and also that it is transacted at the Annual General Meeting with the exception of business relating:-

i) The consideration of the Accounts, Balance Sheet, Report, of the Directors and Auditors.

ii) The declaration of dividend.

iii) The appointment of Directors in the place of those retiring, and

iv) The appointment and fixing of the remuneration of the Auditors.

b) Where any items of business to be transacted as the meeting are deemed to be special as aforesaid there shall be annexed to the notice of the meeting a statement setting out all materials facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Director, and the Managing Director if any, where any item of business consists of the according of approval to any documents by the meeting the time and place where such document can be inspected shall be specified in the statement aforesaid.

Provided that where any item of special business as aforesaid is to be transacted at the meeting of the Company, relates to or affects any other company, the extent of share holding interest in that other company of every Director and the Managing Director of the Company, shall also be set out in the statement if the extent of such share holding interest is not less than 20% of the paid-up share capital of that other company.

71. Five members personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the business.

72. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon by the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place or such other day and at such other time and place as the Board may determine and if the adjourned meeting, a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be quorum.

73. The Chairman, if any of the Board of Directors shall preside over as Chairman at every General Meeting of the Company.

74. If there is no such Chairman, or if at any meeting he is not present within 15 minutes after the time appointed for holding the meeting or is unwilling to act as Chairman the Directors, present shall choose another Director as Chairman, and if no Director be present or if all the Directors decline to take the chair then the members present shall choose some one of their members to be Chairman.

75. The Chairman may, with the consent of any meeting at which a quorum is present (and shall; if so directed by the meeting) adjourn that meeting from time to time and from place to place, but no business shall be transacted at any

adjourned meeting other than the business left unfinished of the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as nearly as may be in the case of original meeting. Save as aforesaid, it shall not be necessary to give any notice of any adjournment of the business to be transacted at an adjourned meeting.

76. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded, in accordance with the provisions of Sec.179 of the Act. Unless a poll is so demanded, a declaration by the Chairman, that resolution, on a show of hands, been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number of proportion of the votes recorded in favour of or against that resolution, on a show of hands, been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

77. If a poll is duly demanded in accordance with the provisions of Sec. 179 of the Act it shall be taken in such a manner as the Chairman in the accordance with the provisions of the Act and Section 184 of the Act direct and the results of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

78. In the case of an equality of Votes, the Chairman shall, both on a show of hands and on a poll, have a casting vote in addition to the votes to which he may be entitled to as a member.

79. A poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. A poll, demanded on any other question shall be taken at such time not being later than 48 hours from the time when demand was made, as the Chairman may direct.

80 1) Every member holding any equity of shares shall have right to vote in respect of such shares on every resolution placed before the meeting. On a show of hands every such member present in person shall have one vote on a poll his voting right in respect of his equity shares shall be in proportion to his shares of the paid-up capital in respect of the equity shares.

2) In the event of the Company issuing any preference share the holders of such preference shares shall have the voting rights set out in that behalf on Sec. 87 of the Act.

81. A demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than on which a poll has been demanded the demand for a poll may be withdrawn at any time by the person who made the demand.

82. In the case of joint holders the vote of the first named of such joint holders who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.

83. A member of unsound mind or respect of whom an order has been by any Court having jurisdiction in lunacy may vote whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on a poll vote by proxy.

84. No member shall be entitled to vote in any General Meeting unless all calls or other sums presently payable by him in respect of his shares in the Company have been paid.

85. On a poll votes may be given either personally or by proxy.

86. Any member entitled to attend vote at a meeting of the Company shall be entitled to appoint any person whether a member or not as his proxy to attend and vote instead of himself but the proxy so appointed shall not unless he be a member have any right to speak at the meeting and shall not be entitled to vote except on a poll.

87. 1) The instrument appointing a proxy shall be in writing under the hand of the appointed or of his attorney duly authorised in writing or if the appointed is a corporation either under the common seal or under the hand of an officer or attorney so authorised. Any person may act as proxy whether he is a member or not. The form of proxy shall be two-way-proxy as given in Schedule IX of the Companies Act, 1956 enabling the share holders to vote for against any resolution.

2) A corporate body (whether a company within the meaning of the Act or not) may if it is a member or a creditor or a debenture holder of the Company by the resolution of its Board of Directors or other Governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the Company of or at any meeting of any creditors of the company held in pursuance of the provisions contained in any debenture or Trust Deed as the case may be. The person so authorised by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which represents as that body could exercise if it were an individual member creditor or holder of debentures of the Company.

3) So long as an authorised under clause (2) above is in force the powers to appoint proxy shall be exercised only by the person so appointed as representative.

88. The instrument appointing a proxy and the power of attorney or other authority if any under which it is signed or a notarially certified copy of that power of authority shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting of adjourned meeting at which the person named in the instrument purposes to vote or in the case of poll not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument or proxy shall not be treated as valid.

89. A vote given in accordance with the terms of an instrument of proxy shall be valid not withstanding the previous death of the principal or the revocation of the proxy of the transfer of the share in respect of which the proxy is given.

Provided that no intimation in writing of the death revocation or transfer shall have been received at the registered office of the company before the commencement of the meeting are adjourned at which the proxy is used.

90. Every instrument appointing a proxy shall be retained by the Company and shall be either of the forms specified in Scheduled XI of the act or a form as near thereto as circumstances will admit.

91. Subject to the Provisions of Companies Act, 1956 the Chairman of the General Meeting shall be the sole and absolute judge of the validity of every vote tendered at such meeting or at a poll demanded at such meeting and may allow or disallow any vote tendered according as he shall be of opinion that the same or is not valid.

92. Unless otherwise determined by a General Meeting the number of Directors shall not be less than 3 and not more than 12 including all kinds of Directors.

94. Any person whether a member of the Company or not may be appointed as Director and no qualification way of holding shares shall be required of any Director.

95. Any casual vacancy occurring in the Board of Directors may be filled up by the Directors and the person so appointed shall hold office upto the date which the Director whose place he is appointed would have held office if it had not been vacated as aforesaid.

96. The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional directors provided that the number of Directors and additional Directors as appointed shall hold office upto the date of the next Annual General Meeting but he shall be eligible for election by the Company at the Meeting.

97. The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the original Directors) during the absence of the original Directors for a period of not less than three months from the state in which the meetings of the Board are ordinary held. And alternate Director so appointed shall vacate office of and when the original Director returns to the State in which meetings of the Board are ordinarily held. If the term of office of the original director is determined before he so returns to the State aforesaid any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to alternate Director.

98. Every director (including the ex-official Director) shall be paid a sitting fee with in or up to the limits prescribed by the Companies Act, 1956 and the rules made thereunder as may be decided by the Board for each meeting of the Board of Directors or of any Committee thereof attend by him and shall be paid in addition thereto all travelling, hotel and other expenses properly incurred by him in attending and returning from the Meetings of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company to and from any place.

99. If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered Office of the Company may be situated for any purpose of the Company or in giving special attention to the business of the Company or as a member of the Board than subject to Section 198, 309, 310 and 314 the Board may remunerate the director in so doing either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.

100. The continuing Director may act not withstanding any vacancy in the Board but if and so long their number is reduced below three the continued Directors or Director may act for the purpose or increasing the number of Directors to three or of summoning a General Meeting of the company but for no other purpose.

101. The office of a Directors shall be vacated if;

a) he is found to be of unsound mind by a court of competent jurisdiction or

b) he applies to be adjudicated or is adjudged an insolvent or

c) he fails to pay dues made on him in respect of shares held by him within 6 months from the last date fixed for the payment of the call unless the Central Government has by notification in the official gazette removed disqualification incurred by such failure; or

d) he is convicted by a Court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months or

e) he is absent himself from three consecutive meetings of the Board or from all meetings of the board for a continuous period of three whichever is longer without obtaining leave of absence from the Board or

f) he (whether by himself or by any person for his benefit or on his account) or any firm in which how is a partner or any private company of which he is a director, accepts a loan or any guarantee or security for a loan, from the company in contravention of section 299 or

g) he acts in contravention of Sec. 295 or

h) he becomes disqualified by an order of Court under sec. 203 or

i) he is removed in pursuance of Sec. 284 or

j) having been appointed a Director by virtue of his holding any office or other employment in the Company he ceases to hold such office or other employment in the Company.

Provided that notwithstanding any thing in sub-clause (b) (d) and (h) above the disqualification referred to in those clauses shall not take effect.

a) for 30 days from the date of adjudication, sentence or order.

b) where any appeal or petition is preferred within 30 days aforesaid against the adjudication sentence or conviction resulting in the sentence or order until the expiry of 7 days from the date on which such appeal or petition is disposed of, or

c) Where within 7 days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction, or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

102. 1) Subject to the provisions of the Act, the Directors including the Managing Director if any shall not be disqualified by reason of their office as such from contracting with the Company either as vendor, purchaser, render, agent, broker or otherwise nor shall apply any contract or arrangement entered into by or on behalf of the Company with any Director or the Managing Director or with any Company or partnership of or in which any Director or the Managing Director shall be a member of otherwise interested be avoided nor shall any Director or the Managing Director so contracting or being such member or so by such contract or arrangement by reason only of such director or the managing Director holding that office or of the fiduciary relation thereby established but the nature of interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on if the interest than exists or any other case at the meeting of the Board after the acquisition of the interest.

Provided nevertheless that no Director shall take part in the discussions of or vote as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is quorum of Directors present.

The provision shall not apply to any contract by or on behalf of the Company to give to the Directors or the Managing Director or any of them any security by way of indemnity against any loss which they are any of them suffer by becoming or being sureties for the company or to any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of a Director aforesaid consists solely in his being a Director of such company and the holder of not more than shares of such number or value there as is requisite to qualify him for appointment as a Director thereof he having been nominated as such Director by the company or in his being a member holding not more than 2% of its paid up share capital.

2) A General notice that any Director is a Director or a member of any specified Company or is a member of any specified firm and is to be regarded as interested in any subsequent transaction with such Company or firm shall as regards any such transaction be sufficient disclosure under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such Company or firm.

3) A Director may be or become a Director or member of any company promoted by this Company or in which this Company may be interested as vendor share holder or otherwise and such Director shall be accountable to the company for any benefits received as a Director or member of such Company.

103. Except as otherwise provided in these Articles all the Directors of the Company shall have in all matters equal rights and no privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

105. a) Not less than 1/3rds of the total number of Directors of the Company for the time being holding office shall be the Directors whose period of office is liable to be determined by retirement by rotation and who shall be appointed by the company in General Meeting.

b) At the first Annual General Meeting of the Company the whole of the Board of Directors except Ex-officio Director shall retire from office and at the Annual General Meeting in every subsequent year 1/3rd of such of Directors as are liable to retire by rotation for the time being or if their number is not three or a multiple of three then the number nearest to 1/ 3rd shall retire from office.

106. A retiring Director shall be eligible for re-election and the Company at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.

107. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become Directors on the same day, those to retire shall unless they otherwise agree among themselves be determined by lot.

108. Subject to the provisions of Section 256 of the Act, if at any meeting at which an election of Director ought to take place the place of the vacating Director is not filled up and the Meeting has not expressly resolved not to fill up the vacancy the Meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is public holiday till the next succeeding day which is not public holiday at the same time and place and if at the adjourned Meeting, the place of retiring Directors is not filled and the Meeting has also not expressly resolve not fill up the vacancy then the retiring Directors of such of them as have not had their placed filled up shall be deemed to have been reappointed at the adjourned meeting.

109. Subject to the provisions of Section 252, 255 & 259 of the Act the Company General Meeting may be ordinary resolution increase or reduce the number of its Directors within the limit fixed by Article 92.

110. Subject to the provisions of Section 284 of the Act, the Company may by an ordinary resolution in General Meeting remove any Directors before the expiration of his period of office and may by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

111. A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as Director not less than 14 days before the meeting has left at the office of the Company a notice in writing under his hand signifying his candidate for the office of the director of the intention of such member to propose him as a candidate for that office as the case may be.

112. The Company in General Meeting may when appointing a person as a Director declare that this continued presence on the Board of Director is of advantage to the company and that his office has Director shall not be liable to be determine by retirement by rotation for such period or until the happening of such event of contingency as the Board may specify and there upon such Director shall not be liable for retirement by rotation but shall hold office for the period or until the happening of any event or contingency set out in the said resolution. Such Director shall herein after be referred to as "Ex-Officio Director".

113. 1) The Board of Directors shall meet atleast once in 3 calendar months for the dispatch of business adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that atleast four such meetings shall be held in every year.

2) The Managing director may at any time summon a meeting of the Board and Managing Director or a Secretary on the requisition of a Director shall at any time summon a Meeting of the Board. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every Director.

114. The quorum for a meeting of the Board shall be 1/3rd of the Total Strength (any fraction contained in that 1/3rd being rounded off as one) or two Directors whichever is higher provided that where at any time the number of interested Directors is equal to or exceeds to 2/3rd of total strength the remaining number of Directors that is to say the number of Directors who are not interested present at the meeting being not less than two shall be quorum during such time. The total strength of the Board after deducting there, from the number of Directors if any whose places are vacant at the time.

115. 1) Save as otherwise expressly provided in the Act a Meeting of the Board for the time being at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board.

2) In case of an equality of votes the Chairman shall have a second or casting vote in addition to his vote as a Director.

116. 1) The Board may elect a Chairman at its Meeting and determine the period for which he is to hold office.

2) If no such Chairman is elected or if at any Meeting the Chairman is not present within 5 minutes after the time appointed for holding the Meeting the Directors present may choose one of their member to be Chairman of the Meeting.

117. 1) The Board may subject to the provisions of the Act delegate and if its powers to committees consisting of such member or numbers of its body as things fit.

2) Any committee so formed shall in the exercise of the power so delegate confirmed to any regulations that may be imposed on it by the Board.

118. 1) If the Chairman of the Board is a member of the Committee he shall preside over all meetings of the committee. If the Chairman is not a member thereof the committee may elect a Chairman of its meeting if no such Chairman is elected or if at any Meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the members present may choose one of their member to be Chairman of the meeting.

2) The quorum of committee may be fixed by the Board of Directors and until so fixed if the committee is of a single member or two members shall be one and if more than two members shall be two.

119. 1) A committee may meet and adjourned if it thinks proper.

2) Questions arising at any meeting of a committee shall be determined by the sole members of the committee or by a majority of votes of members present as the case may and be in case of an equality of vote the Chairman shall have a second or casting vote in addition to his vote as a member of the committee.

120. All acts done by any meeting of the Board or of Committee there are by any person acting as a Director shall not withstanding that it may be afterwards discovered that there was some defect in the appointment or any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if evert such Director or such person had been duly appointed and was qualified to be a Director.

121. Save as otherwise expressly provided in the Act a resolution in writing circulated in draft together with the necessary papers if any to all the Directors or to all the members of the Committee then in India not being less in number than the quorum fixed for the meeting of the Board or the Committee as the case may be and to all other Directors or members at their usual address in India and approved by such of the Directors as are then in India or by a majority of such of them as are untitled to vote on the resolution shall be valid and effectual as if it had been a resolution duly passed at a meeting of the Board or committee duly convened and held.

122. The business of the Company shall be managed by the Board of Director, who may exercise all such powers of the Company, as are authorised by the Act or any statutory modifications thereof for the time being in force except those by these presents required to be exercised by the Company in General Meeting. Provided in exercising any power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Act or any other provision of law or the Memorandum of Association of the Company or these Articles or in any regulation not in consistent there with and duly made there under including regulation made in General Meeting shall invalidate no regulation made by the Company in General Meeting any prior act of the Board which would have been valid if that regulation had not been made.

123. Without prejudice to the generality of the foregoing it is hereby expressly declared that the Directors shall have the following powers that is to say;

1) To carry on and transact the several kinds of business specified in clause III of the Memorandum of Association of the Company.

2) To draw, accept, endorse, discount, negotiate and discharge on behalf of the Company all bills of exchange promissory notes, cheque, hundies, drafts, railway receipts, dock warrants, delivery orders, Government Promissory notes other Govt. instruments, bonds, debentures or debenture stocks of Corporate, Local bodies, Port Trusts, improvements Trusts or other Corporations, bodies and execute transfer deeds for transferring stocks, shares or stock certificates of the Govt. and other local or corporate bodies in connection with any business or any subject of the Company.

3) At their discretion to pay for any property, rights or privileges, acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures or other securities may be either specifically charged upon all or any of the property of the Company or not so charged.

4) To engage and in their discretion to remove, suspend, dismiss and remunerate bankers, legal advisers, accountants, cashiers, agents, dealers, brokers, foreman, servants, employees or every description and to employ such professional or technical or skilled assistants as from time to time may in their opinion be necessary or dvisable in the interest of the Company upon such term as to duration of employment , remuneration or otherwise as may be required and security in such instances and such amounts as the Directors think fit.

5) To accept from any member on such terms and conditions as shall be agreed a surrender of his shares or stock or any part thereof.

6) To secure the fulfilment of any contracts or agreement entered into by the Company by mortgage or charge on all or any of the property of the Company or in such other manner as they think fit.

7) To institute, conduct defend, compound or abandon any actions, suits and legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound or compromise or submit to arbitration the same actions suits and legal proceedings.

8) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company

9) To determine who shall be entitled to sign on the Company's behalf bills of exchange, pronotes, dividend warrants, cheques and other negotiable instruments, receipts, acceptance endorsements, releases, contracts, deeds and documents.

10) From time to time regulate the affairs of the Company in such manner as they think fit and in particular to appoint any person to be the attorneys or agents for the Company either abroad or in India with such powers including power to subdelegate and upon such terms as may be thought fit.

11) To invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such securities as they think fit.

12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (Present and Future) as they think fit and any such mortgage may contained a power of sale and such other powers convents and provisions as shall be agreed upon.

13) To give any person employed by the Company a commission on the profits or any other particular business or transactions, or a share in the general profits of the Company and such commission or share of profits shall be treated as part of the working expenses of the Company.

14) From time to time to make vary repeal bye-laws for the regulation of the business of the Company its officers and servants.

15) To enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matter aforesaid or otherwise for the purpose of the company.

16) To pay gratuities, bonuses, rewards, presents and gifts to employees or dependants of any deceased employed to charitable institution or purpose to subscribe for provident funds and other associations for the benefits of the employees.

124. Subject to the provisions of Section 292 of the Act and other provisions of the Act the Board may delegate from time to time and at any time to Committee formed out of the Directors all or any of the powers, authorise and discretion for the time being vested in the Board and any such delegations may be made on such terms and subject to such conditions as the Board may think fit.

127. 1) The Board shall duly comply with the provisions of the Act and in particulars with the provisions in regard to the registration of the particulars of the mortgages and charges affecting the properties of the company or created by it and to keeping a Register of the Directors and to sending to the Register an annual list of members and a summary of particulars of shares and stock and copies of special resolutions and another resolutions of the Board as are required to be filed with the Register under Section 192 of the Act and copy of the Register of Directors and notification of any changes therein.

2) The company shall comply with the requirement of Section 193 of the Act in respect of keeping of the minutes of all proceedings of every General Meeting and of every meeting of the Board of any Committee of the Board.

3) The Chairman of the meeting may exclude at his absolute discretion such of the matters as are or could reasonably be regarded as defamatory of any person irrelevant or immaterial to the proceedings or detrimental to the interest of the Company.

128. The Board shall have the power to appoint a person as the Secretary possessing the prescribed qualifications and fit in their opinion for the said office for such period and on such terms and conditions regards remunerations and otherwise as they may determine., The Secretary shall have such powers and duties as may from time to time be delegated to or entrusted to him by the Directors.

129. Any branch or kind of business which by the Memorandum of Association of the Company or these presents is expressly or by implication authorised to be undertaken by the Company may be undertaken by the Board at such time or times as they shall think fit and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not so long as the board may deem it expedient not to commence or proceed with such branch or kind of business.

130. Subject to provisions of Section 292, the Board may delegate all or any of their powers to any Directors jointly or severally or to any one Director at their Discretion.

131. 1) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 raise any money or sums of moneys for the purpose of the company provided that the moneys to be borrowed by the Company apart from temporary loans obtained form the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting exceeds the aggregate of the paid up capitals of the Company and its free reserve that is to say reserve not set part for any specific purpose and in particular but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company by the issue of debentures perpetual or otherwise including debentures convertible into shares of this or any other company or perpetual annuities and in security of any money so borrowed, raised or received, mortgage, pledge or charge, the whole or any part of the property assets or revenue of the Company present or future, including its whole or any part of the property, assets or revenue of the company present or future, including its annulled capital by special assignment of otherwise or to transfer or convey the same absolutely in trust and give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay of any such securities.

Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors.

2) The Directors may by resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing directors within the limits prescribed.

3) Subject to the provisions of the above sub-clauses the Directors may from time to time at their discretion raise or borrow or secure the repayment of any sum or sums of moneys for the purpose of the Company at such time and in such manner and upon such terms and conditions in all respects as they think fit and in particulars by promissory notes or by opening current accounts or by receiving deposits and advances with or without security or by the issue of bonds perpetual or redeemable debentures or debenture stock of the Company (both present and future) including its uncalled capital for the time being, or by managing or charging or pledging any lands, buildings, goods, or other properties and securities of the Company or by such other means as they may seem expedient.

132. Such debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom they may be issued.

133. a) Any such debentures, debenture stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares of the Company appointment of Directors or otherwise debentures, debentures stock, bonds or other securities with a right of conversion into or allotment of shares shall be issued only with the sanction of the Company in General Meeting.

b) Any trust deed for the securing of any debentures stock and or any mortgage deed and or other securing payment of moneys borrowed by or due by the Company and or any contract or any agreement made by the Company with any person, firm, body corporate, Govt. or authority who may render or agree to render any financial assistance to the Company by way of loans advanced or by guaranteeing of loan borrowed or other obligations of the Company or by subscription to the share capital of the Company or provide assistance in any other manner may provide for the appointment from time to time by any such mortgage, lender, trustee or holders of debentures or contracting part as aforesaid of one or more persons to be a Director or Directors of the Company. Such trust deed, mortgage deed, bond or contract may provide that the person appointing a Directors as aforesaid may from time to time remove any Director so appointed by him and appoint any other person in his place and provide for filling up of any casual vacancy created by such persons vacating office as such Director. Such power shall determine and terminate on the discharge or repayment of the respective mortgage loan or debt or debentures or on the termination of such contract and any person so appointed as Director under mortgage or bond or debt or debentures trust deed or under such contract shall cease to hold office as such Director on the discharge of the same. Such appointment and provision in such document as aforesaid shall be valid and effective as if contained in these presents.

134. The Director or Directors so appointed by or under a mortgage deed debenture trust deed or other bond or contract as aforesaid shall be called nominated Directors. The words Nominated Directors shall mean the Director appointed as aforesaid and for the time being holding such office. The Nominated Director shall not be required to hold any qualification shares and shall not be liable to retire by rotation or be removed from office of the company. Such mortgage deed or bond or trust deed on contract may contain such auxiliary provisions as the case may be and all such provisions shall have effect not withstanding any of the other provisions contained but subject to the provisions of the Act.,

135. The Directors shall cause a proper register to be kept in accordance with the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgage and charges therein specified.

136. Where any uncalled capital of the Company is charged all persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled by notice to the shareholders or otherwise to obtain priority over such prior charge.

137. If the Directors or any of them or any other persons shall be one personally liable for the payment of any sum primarily due from the Company the Board may execute or cause to be executed any mortgage, charges or security over or effecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.

139. a) The Managing Director/Joint Managing Director shall be entitled to exercise all such power, save those expressly require to be exercised or done by the Company in General Meeting or by the Directors at Board Meeting and shall be entitled to the Management of the whole affairs of the Company under the control and Direction of the Board.

b) In the events of any vacancy arising in the office of a Managing Directors (s) / Joint Managing Director of whole time Director if the Board of Directors resolve to increase the number of Managing Directors (s) of whole time Directors the vacancy shall be filled up by the Board of Directors and the Managing Director or Joint Managing Director or whole time Directors so appointed shall hold the office for such period as the Board of Directors may fix.

c) The Board may appoint any person to act as Alternate Director for a Director during the later’s absence for a period of not less than three months from the date in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee whilst he holds office as an Alternate Director shall be entitled to notice of meeting of the Board and to attend and vote threat accordingly, but he shall not be required to hold any qualification shares and shall *ipso facto* vacate office if and when the absent Director returns to the State in which meeting of the Board are ordinarily held or the absent Director vacates office as a Director.

d) If a Managing Director/Joint Managing Director or Whole time Director ceases to hold office as Director he shall ipso facto and immediately cease to be Managing Director or Joint Managing Director whole time Director.

e) Subject to the provisions of the Act, the Board shall have power to appoint from time to time one or more of their body to the office of the Managing Director and / or Joint Managing and or Wholetime Director for such period and on such terms as they think fit, such period not exceeding five years at a time. A Director so appointed as Chairman in wholetime employment and Managing Director shall not whilst holding that office be subject to retirement by rotation.

All other directors in wholetime employment, what so ever their designation may be, shall be subject to retirement by rotation. The Board may by resolution vest in such Managing Director, Joint Managing Director or Wholetime Director such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions, as it may determine. The remuneration of the Managing Director, Whole time Director may be by way of monthly payment, participating in profits or by either or both of these modes or any other mode not expressly prohibited by the Act.

140. Managing Director, Joint Managing Director or Whole Time Director shall subject to supervision, control and direction of the Board and subject to the provisions of the Act, exercise powers as are exercisable under these presents by the Board of Directors as they may think fit and confer such powers for such time and to be exercised for such objects purposes and upon such terms and conditions and with such restrictions as they may confer such power either collaterally with or to the exclusion of any such substitution for all or any of the powers of the Board of Directors in that behalf and may from time to time revoke, withdraw alter or vary all or any such powers. The Managing Directors or Wholetime Directors may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board’s direction.

141. Subject to the provisions of the Act and subject to such sanction of the Central Govt. as may be required for the purpose the Managing Directors or Whole time Directors shall receive such remuneration (whether by way of salary commission or participation in profits or partly in one way and partly in another) as the Company in General Meeting may from time to time determine.

142. The Managing Director or Whole time Director shall be entitled to charge and be paid for all actual expenses, if any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the company and shall be entitled to be paid by the Company any remuneration that they may pay to such part time employees.

143. 1) The Managing Director or Whole time Director shall have subject to the supervision control and discretions of the Board, the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs and transaction of the Company except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General meeting by the Board of Director or and also subject to such conditions or restrictions imposed by the Companies Act or by there presents.

2) Without prejudice to the generality of the foregoing and subject to supervision and control of the Board of Directors the business of the Company shall be carried on by the Managing Director or Wholetime Director and he shall have and exercise all the powers set out in Articles 123 above except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by the Board.

3) The Board may from time to time delegate to the Managing Director or whole time Director such of their powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time revoke, withdraw, alter or vary all any of the powers conferred on the Managing Director or Wholetime Director by the Board or by these presents.

144. The Board shall provide a common seal for the Company and they shall have power from time to time to destroy the same and substitute a new seal in lieu thereof; and the common seal shall be kept at the Registered Office of the Company and committed to the custody of the Managing Director or Secretary, if there is one.

146. a) The profits of the Company subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the presents as to the Reserve Fund shall be divisible among the members in proportion to the amount of capital paid up the shares held by them respectively.

b) Where capital is paid up on any share in advance of calls upon the footing that the same shall carry interest such capital shall not whilst carrying interest confer a right to participate in profits.

147. The Company in General Meeting may declare dividend but no dividend shall exceed the amount recommended by the Board.

148. The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.

149. No dividends shall be payable except out of the profits of the year or any undistributed profits except as provided by Section 205 of the Act.

150. The Board may before recommending any dividends set aside out of the profits of the Company such sums as it thinks proper as a reserve of reserves which shall at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied including provisions for meeting contingencies or for equalising dividends and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit.

151. The Board may deduct from any dividend payable to any members all sums of money if any presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

152. Any General Meeting declaring a dividend or bonus may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may if so arranged between the Company and the members be set off against the call.

153. 1) Any dividend, interest, or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through post direct to the registered address of the holder or in the case of joint holder to the registered address of that one of the joint holder who is first named on the register of members or to such persons and to such address as the holders or joint holders may writing direct.

2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

3) Every such cheque or warrant shall be posted within forty two day from the date of declaration of dividend.

154. Any one or two more joint holders of a share may give effectual receipt for any dividends, bonuses or other moneys payable in respect of such shares.

155. Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.

156. 1) Where dividend has been declared by the Company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled for the payment of dividend the company shall within 7 days from the date of expiry of the said period of 30 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the same period of thirty days to a special account to be opened by the Company in that behalf in any scheduled Bank to be called the "Unpaid Dividend Account". No unclaimed dividend shall be forfeited by the Board of Directors till the claim thereto becomes barred by the law and the Company shall comply with all then provisions of the Section 205 A of the Act. in the respect of unclaimed and unpaid dividend.

2) Any money transferred to the unpaid dividend account of the Company in pursuance or sub-clause (1) which remains unpaid or unclaimed for a period of 3 years from the date of such transfer, shall be transferred by the Company to the General Revenue Account of the Central Government but a claim to any money so transferred to the General Revenue Account may be preferred to the Central Government by the persons to whom money is due and shall be dealt with as if such transfer to the General Reserve Account had not been made, the order, if any, for payment of the claim being treated as an order for refund or revenue.

3) The Company shall, when making any transfer under clause (2) to the General Revenue Account of the Central Govt. any unpaid or unclaimed dividend, furnish to such Officer as the Central Govt. may appoint in this behalf a statement in the prescribed form setting forth in respect of all sums included in such transfer, the nature of the sums, the names and also known addresses of the person is entitled to receive the sum the amount to which such person entitled to and the nature of his claim thereto and such other particular as may be prescribed.

4) The Company shall be entitled to a receipt from the Reserve bank of India for any money transferred by it to the General Revenue Account of the Central Govt. and such receipt shall be effectual discharge of the Company in respect thereof.

157. Any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

158. 1) The Company in General Meeting may on recommendation of the Board resolve.

a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution; and

b) That such sum be accordingly set free for distribution in the manners specified in sub-clause (2) amongst the member who would have been entitled thereto; distributed by way as such dividend and in the same proportion.

2) The sum aforesaid shall not be paid cash but shall be applied subject to the provision contained in sub-clause (3) either in or towards;

i) Paying up any amounts for the time being unpaid on shares held by such members respectively;

ii) Paying up in full unissued shares of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid; or

iii) Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause(ii).

3) A share premium account and a capital redemption reserve fund may for the purpose of this regulation only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

160. 1) The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure takes place of all sales and purchases of goods by the Company and to the assets credits and liabilities of the Company.

2) If the Company shall have a Branch Office whether in or outside, proper books of account relating to the transactions effected at that office shall be kept at then office and prior summarised returns, made upto date at intervals not more than three months shall be sent by the Branch Office to the company at its Registered Office or to such other place in India as the Board thinks fit where the main books of the Company are kept.

3) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its Branch office as the case may be respect to the matters aforesaid and explain its transaction.

165. 1) Every Balance Sheet and every profit and Loss Account of the Company shall be signed on behalf of the Board by Secretary if any and by not less than two Directors of the Company one of whom shall be the Managing Director where there is one.

Provided that when only one Director is for the time being in India the Balance sheet and the Profit & Loss Account a statement signed by him explaining the reason noncompliance with the provisions of sub-clause (1)

2) The Balance Sheet and the profit and Loss Account shall be approved by the Board of Directors before they are signed on behalf of the Board in accordance with the provisions of this Articles and before they are submitted to the Auditors for their report thereon.

166. The Profit & Loss Account shall be annexed to the Balance Sheet and the Auditors Report shall be attached thereto.

167. 1) Every Balance Sheet laid before the Company in General Meeting shall have attached to it report by the Board of Directors with respect to the state of the Company's affairs, the amounts, if any, which is proposes to carry to any Reserves in such balance sheet; and the amount, if any which it recommended to be paid by way dividend material changes and commitments, if any affecting the financial position of the Company which have occurred between the end of financial year of the Company to which the Balance Sheet related and the date of the Report.

2) The Board's report shall so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board's opinion be harmful to the business of the Company or of any its subsidiaries, deal with any charges which have occurred during the financial year in the nature of the Company's business or in the Company's subsidiaries or in the nature of business carried on by them and generally on the classes of business in which the Company has interest.

3) The Board's report shall also include a statement showing the name of every employees of the Company who is employed throughout the financial year was in receipt if remuneration for that year which in the aggregate was not less than thirty six thousand rupees or if employed for part of the financial year, was in receipt of remuneration for any part of that year, at a rate which in the aggregate was not less than three thousand rupees per month. The Statement shall also indicate whether any such employee is a relative of any Directors of Managers of the Company and if so, the names of such Directors and such other particulars prescribed.

4) The Board shall also give the fullest information and explanations in it report in cases falling under the provision to Section 222, in an addendum to that report, on every reservation, qualification or adverse remark contained in the Auditors Report.

5) The Board Report and addendum (if any) thereto shall be signed by its Chairman if he is authorised in that behalf by the Board, and where he is not authorised, shall be signed by such number of Directors as are required to sign the Balance Sheet the Profit and Loss Account of the Company by virtue of sub-clause (1) and (2) of Article 166.

6) The Board shall have the right to charge any person being a Director with the duty of seeing that the provisions of sub-clause (1) to (3) of this Articles are compiled with.

170. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter set out.

175. Every account of the Company when Audited and approved by a General Meeting shall be conclusive excepts as regard any error discovered therein with 3 months after the approval thereof. Whenever any such error is discovered within that period the account shall forthwith be corrected and henceforth be conclusive.

176. A document may be served on the Company or an officer thereof by sending to the Company or officer at the Register office of the Company by post under a certificate of posting or by Regd. Post or by leaving it at its Registered Office.

183. Every person who by the operation of law transfer of other means whatsoever shall become entitled to any shares shall be bound by every document in respect if such share which previously to his name and address being entered on the Registered shall have been duly served on or sent to the person from whom he derived his title to such share.

186. Subject to the provisions of the Act as to preferential payments the assets of the Company shall on its winding up be applied in satisfaction of its liabilities pari passu and subject to such application shall be distributed among the members according to their rights and interests in the Company.

188. a) Subject to the provisions of section 201 of the Act the Managing Director and every Director, Manager, Secretary and other Officer or employees of the Company shall be indemnified by the Company against any liability and it shall be the duty of the directors out of the fund of the Company to pay all costs and losses and expenses (including travelling expenses) which any such Director, Officer or employee may incur or become liable to by

reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

b) Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or him defending any proceeding whether civil or criminal in which judgement is given in their or his favour or in which he is acquired or discharged or in connection with any application under Section 600 of the Act in which relief is given to him by the court.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Andhra Pradesh at Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company from 11 am to 5 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letter dated May 3, 2006 to JM Morgan Stanley Private Limited, Enam Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited from our Company appointing them as the BRLMs;
2. Memorandum of Understanding dated August 4, 2006 amongst our Company and BRLMs;
3. Memorandum of Understanding/ Agreements executed by our Company with Registrar to the Issue, etc;
4. Escrow Agreement dated [●], 2006 between the Company, the BRLMs, the Escrow Banks, and the Registrar to the Issue;
5. Syndicate Agreement dated [●], 2006 between the Company, the BRLMs and the other Members of the Syndicate;
6. Underwriting Agreement dated [●], 2006 between the Company, the BRLMs and other Underwriters;
7. Shareholders agreement dated October 6, 1997 between LITL, Eastern Generation imited, Mauritius, CDC Globeleq Holdings Limited and Doosan Heavy Industries Limited;
8. Share purchase agreement dated July 10, 2006 between LITL and Globeleq;
9. Shareholders agreement dated September 18, 2002 between LITL, Century Investments, Aban Loyd, Aban and Genting Power (India) Limited;
10. Shareholders agreement dated October 3, 2003 between LITL, K. Vijay Kumar and Lanco Amarkantak, and amendments thereto;
11. Share subscription, retention and undertaking agreements between with PFC for LAPPL Units I and II dated August 4, 2005 and June 19, 2006 respectively;
12. Shareholders agreement dated May 28, 2006 between LITL, Nagarjuna Holdings Private Limited and Nagarjuna;
13. Share purchase agreement dated January 5, 2005 between LITL and Vamshi Industrial;
14. Share purchase agreement dated January 5, 2005 between LITL and Vamshi Hydro;
15. Joint venture agreement between LITL and Rani Constructions Private Limited dated September 12, 2001;
16. MOU dated October 19, 2005 between LITL and Mantri Developers Private Limited;
17. MOUs dated November 29, 2004 between the GOHP and VHEPL for setting up the Baner III Project;
18. MOUs dated November 29, 2004 between the GOHP and VHEPL for setting up the IKU II Project;
19. MOU dated November 29, 2004 between the GOHP and VIPL for setting up Upper Khauli Project;
20. MOU dated September 26, 2006 between the GoO and LGL in relation to the Orissa Power Project;
21. JDA dated August 30, 2006 between Globeleq Singapore Pte. Limited and the Company in relation to the Krishnapatnam Power Project;
22. JDA dated May 29, 2006 between Globeleq Singapore Pte. Limited and the Company in relation to the Sasan Power Project;
23. JDA dated May 31, 2006 between SNC-Lavalian International Inc and the Company in relation to the Mundhra Power Project;
24. PPA dated October 8, 2003 between KPTCL and Encon Services Limited for Chitradurga plant;
25. PPA dated September 1, 2003 with TNEB for Aban Power Plant;
26. Gas Supply Agreement between APCL and GAIL;
27. PPA dated February 18, 2002 with APTRANSCO for Rithwik Power Plant;
28. Emission reduction agreement dated April 12, 2006 with Rithwik and EDF Trading Limited;

29. PPA dated September 29, 2003 with APTRANSCO for Clarion Power Plant;
30. Emission reduction agreement dated April 12, 2006 with Clarion and EDF Trading Limited;
31. PPAs dated May 11, 2005 and October 19, 2005 with units I and II of Lanco Amarkantak Power Plant;
32. Coal supply agreement dated December 31, 2005 between LAPPL and South Eastern Coal Fields Limited;
33. Contract for Design and Construction of Non-EPC Works dated April 27, 2005 between LAPPL and LITL;
34. Agreement for civil and construction works dated May 25, 2005 and April 19, 2006 for Units I & II of the Lanco Amarkantak Power Project between LAPPL and Zelan Construction (India) Private Limited;
35. Subcontract agreements for civil works and construction dated July 11, 2005 and July 21, 2005 between Zelan Construction (India) Private Limited and LITL;
36. Agreement for civil & construction services and construction management services dated May 4, 2005 between LITL and Star Plus Engineering Services Limited;
37. Agreement for engineering, transportation, erection, testing and commissioning services dated May 25, 2005 and April 19, 2006 for Units I & II of the Lanco Amarkantak Power Project between LAPPL and Zelan Projects Private Limed;
38. Subcontract agreement for engineering, transportation, erection, testing and commissioning services between LITL and Zelan Projects Private Limed;
39. Agreement for engineering, transportation, erection, testing and commissioning dated May 4, 2005 between LITL and Star Plus Engineering Services Limited;
40. Agreement for supply (Ex-works Indian factory) dated May 25, 2005 and April 19, 2006 for Units I & II of the Lanco Amarkantak Power Project between LAPPL and Zelan Projects Private Limited;
41. Subcontract agreement for supply (ex-works) dated May 30, 2005 between LITL and Zelan Projects Private Limited;
42. Agreement for supply (CIF) dated May 25, 2005 and April 19, 2006 for Units I & II of the Lanco Amarkantak Power Project between LAPPL and Zelan Projects Private Limited;
43. Agreement for onshore supply between LITL and Star Plus Engineering Services Limited dated May 4, 2005;
44. Agreement to construct the main telephone exchange building dated April 21, 2004 between LITL and MTNL;
45. Agreement for supply of unskilled and semi-skilled labour between LITL and S.V. Contractors dated December 31, 2005;
46. PPA with PTC for Lanco Green Power Plant dated March 30, 2005;
47. Implementation Agreement dated November 22, 2005, between the GOHP and Lanco Green;
48. Civil Construction Contracts dated October 3, 2005 and December 26, 2005 between LGPPL and LITL for Units I and II of Lanco Green Power Plant;
49. Civil Construction contract dated October 3, 2005 between LGPPL and LITL;
50. Contract dated July 12, 2006 between LGPPL and Dongfang for the procurement of generation units for the Lanco Green Power Project;
51. Contract dated July 12, 2006 between LGPPL and Dongfang for the supervision of installation, commissioning and field testing of equipment supplied to the Lanco Green Power Project;
52. Agreement dated July 18, 2006 for the transportation, insurance, storage at site, erection, commissioning and testing of E&M equipment between LGPPL and LITL for the Lanco Green Power Project;
53. Agreement dated July 17, 2006 for the supply of BOP for E&M equipments between LGPL and LITL for the Lanco Green Power Project;
54. Agreement dated December 7, 2005 between the Government of Sikkim and Lanco Energy Private Limited for the development of Teesta VI Hydro Electric Project;
55. PPA dated August 29, 2006 between MSEDCL for the Teesta VI Power Project;
56. Civil construction contract dated December 30, 2005 between LEPL and LITL;
57. Implementation Agreements for Drinidhar Power Project dated June 8, 2005, and Upper Khauli Power Project dated November 22, 2005, between GOHP and VIPL;
58. Civil construction contract dated September 15, 2005 between VIPL and LITL;
59. Implementation Agreement for Baner - III Project dated November 22, 2005, between GOHP and VHEPL;

60. Implementation Agreement for IKU-II Project dated November 22, 2005, between GOHP and VHEPL;
61. Civil construction contracts dated September 15, 2005 and December 2, 2005 between VHEPL and LITL;
62. PPA between APPCC and LKPPL dated March 31, 1997 for the Kondapalli Power Plant;
63. Gas supply contract between LKPPL and GAIL dated August 21, 2000;
64. Operation and Maintenance Agreement dated October 6, 1997 between LKPPL and Eastern Generation Services (India) Private Limited;
65. Long term assured parts supply agreement dated November 25, 2001 between LKPPL and General Electric Energy Parts Inc;
66. Long term maintenance agreement dated November 25, 2001 between LKPPL and General Electric Energy Parts Inc;
67. Letter of Allotment dated September 27, 2006 received by LKPPL from UPRVUNL in relation to the Anpara Power Project;
68. PPA between Lanco Anpara and Paschimanchal Vidyut Vitran Nigam Limited, Poorvanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited for the Anpara Power Project as per the RFP issued on February 20, 2006;
69. PPA dated December 26, 2005 with the Escoms of Karnataka in relation to Nagarjuna Power Plant;
70. PPA dated September 29, 2006 with PSEB in relation to Nagarjuna Power Plant;
71. EPC services contract between with BHEL dated December 28, 2005;
72. EPC supply contract between BHEL and NPCL dated December 28, 2005;
73. Civil works contract between NPCL and Simplex Infrastructures Limited dated March 22, 2006;
74. Supply contract for external BOP systems between NPCL and Simplex Infrastructures Limited dated March 22, 2006;
75. Road works contract between NPCL and Simplex Infrastructures Limited effective from March 22, 2006;
76. Railway works contract between NPCL and Simplex Infrastructures Limited dated March 22, 2006;
77. Contract for coal jetty construction between NPCL and Navayuga Engineering Company Limited dated April 10, 2006;
78. Supply contract for external coal handling system between NPCL and Navayuga Engineering Company Limited dated April 10, 2006;
79. Contract for erection, testing and commissioning services of external coal handling system between NPCL and Navayuga Engineering Company Limited dated April 10, 2006;
80. Letter of award dated December 28, 2005 issued to BHEL in relation to the contract for design, supply, construction, erection, commissioning and testing of various balance of plant packages;
81. Power Purchase Agreement dated May 27, 2006, between the Energy and Power Department, Government of Sikkim and Lanco Electric Utility Limited;
82. Agreement for sale of power between KPCL and LEUL dated June 16, 2006;
83. Power Purchase Agreement dated March 29, 2006, between West Bengal State Electricity and Lanco Electric Utility Limited;
84. Power Purchase Agreement dated September 28, 2006 between LGL and GRIDCO in relation to the Orissa Power project;
85. Project development agreement dated May 29, 2006 for Phata-Byung project between the Governor of Uttaranchal and Lanco Hydro;
86. Project development agreement dated May 29, 2006 for the Gaurikund project between the Governor of Uttaranchal and Lanco Hydro; and
87. Project development agreement dated May 29, 2006 for the Rambara project between the Governor of Uttaranchal and Lanco Hydro.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation dated March 26, 1993 and certificate of commencement of business dated May 31, 1993.
3. Our certificates in relation to change of names dated November 24, 2000.
4. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of statutory auditors,

formation and revision of Audit, Remuneration and other committees.

5. Copies of the Annual Report of our Company and its Subsidiaries for the last five financial years, to the extent available.
6. Resolution of the Board of Directors dated April 24, 2006 authorising a fresh issue of Equity Shares up to an amount of Rs. 30,000 million and constituting the IPO Committee.
7. Resolution of the shareholders of the Company passed at an EGM dated May 18, 2006 authorising the fresh issue of Equity Shares up to an amount of Rs. 30,000 million.
8. Resolution of the Board of Directors dated October 18, 2006 approving the Red Herring Prospectus.
9. Resolution of the shareholders of the Company passed at an EGM dated July 30, 2006 authorising the consolidation of the share capital of the Company resulting in an increase in the face value of the Equity Shares from Rs. 5 to Rs. 10 per Equity Share.
10. Resolution of the shareholders of the Company passed at an EGM dated July 30, 2006 authorising the issue of 118,593,016 bonus Equity Shares in the ratio of two Equity Shares per Equity Share held by each shareholder of the Company.
11. Resolution of the IPO Committee dated July 31, 2006 authorising the Issue of 44,472,381 Equity Shares.
12. Resolution of the IPO Committee dated October 21, 2006 approving the Red Herring Prospectus.
13. Present terms of employment and remuneration between the Company and our Directors fixed by way of Board meetings and approved by the Shareholders.
14. Report of the statutory auditors, M/s Price Waterhouse, Hyderabad dated June 16, 2006 and September 9, 2006 on the audited consolidated financial statements for five years ended March 31, 2006 and for quarter ended June 30, 2006 and June 30, 2005, respectively, prepared as per Indian GAAP and mentioned in the Red Herring Prospectus.
15. Consent of the Statutory Auditors being M/s Price Waterhouse, Hyderabad for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus.
16. Consents of Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic and International Legal Counsel and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to in their respective capacities.
17. Initial listing applications dated August 7, 2006 filed with BSE and NSE respectively.
18. In-principle listing approvals dated August 22, 2006 and August 30, 2006 from BSE and NSE respectively.
19. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated October 14, 2006.
20. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated October 5, 2006.
21. Due diligence certificate dated August 7, 2006 to SEBI from BRLMs.
22. SEBI observation letter No. CFD/DIL/ISSUES/V/78277/2006 dated October 5, 2006.

Any of the contracts or documents mentioned above or elsewhere in this Red Herring Prospectus may be amended or modified at any time, if so required in the interest of the Company or its Subsidiaries, or if required by the other parties, without reference to the Shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

L. Madhusudhan Rao – ***Executive Chairman***

G. Bhaskara Rao – ***Executive Vice - Chairman***

L. Sridhar – ***Non-Executive Vice - Chairman***

S. C. Duggal – ***Director***

G. Venkatesh Babu – ***Managing Director***

P. Narsimharamulu – ***Nominee Director, Indian Overseas Bank (Independent)***

Dr. P. Kotaiah – ***Additional Director (Independent)***

Dr. Uddesh Kumar Kohli – ***Additional Director (Independent)***

P. Abraham – ***Additional Director (Independent)***

H.N. Sinor – ***Additional Director (Independent)***

SIGNED BY THE EXECUTIVE CHAIRMAN

L. Madhusudhan Rao

SIGNED BY THE CHIEF FINANCIAL OFFICER

J. Suresh Kumar

Date: October 22, 2006

Place: Hyderabad