

Limited Review Report

**Review report to
The Board of Directors
Lanco Infratech Limited**

1. We have reviewed the accompanying statement of unaudited consolidated financial results of Lanco Infratech Limited ('the Company') and its subsidiaries and associates (together, 'the Group') for the quarter ended December 31, 2012 ('the Statement'), being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreement, except for the disclosures regarding 'Public Shareholding', 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. To the extent stated in paragraphs 3 (a) to 3 (c) below, we did not review the consolidated financial results of certain component entities that comprise the Group and are included in the accompanying unaudited consolidated financial results.
 - a. We did not review the statement of unaudited financial results of certain subsidiaries whose unaudited quarterly financial results reflect total assets of Rs. 13814.13 crores as at December 31, 2012 and total revenue of Rs.1260.20 crores for the quarter ended December 31, 2012. These unaudited financial results and other financial information for these subsidiaries have been reviewed by other auditors whose reports have been furnished to us, and our opinion on the quarterly financial results is based solely on the reports of the other auditors.
 - b. We did not review the statement of unaudited financial results of certain associates, whose financial results reflect the Group's share of loss of Rs. 3.58 crores for the quarter ended December 31, 2012. These unaudited financial results and other financial information for these associates have been reviewed by the other auditors whose reports have been furnished to us, and our opinion on the quarterly financial results is based solely on the reports of the other auditors.
 - c. We did not review the financial statements of certain associates, whose financial statements reflect the Group's share of Profit of Rs. 0.72 crores. These financial statements and other financial information of these associates have been prepared by the management and our opinion is based solely on the management accounts.



4. Without qualifying our opinion, attention is invited to

- a. (i) Note 3 of the statement of unaudited consolidated financial results, as at December 31, 2012, the Group has net current liabilities of Rs.2345.82 crores and has loans aggregating Rs. 2680.60 crores falling due over next twelve months period which also includes unpaid dues of the group as at December 31, 2012. This apart the Group has commitments to support its ongoing projects and considering the prevailing circumstances in the infrastructure industry, the Group would require additional funds. These matters require the Company to garner such additional cash flows to fund the operations. However the accompanying unaudited consolidated financial results have been prepared under the assumption, considering the management assessment to recover the dues from various State Electricity Boards and management plan to get requisite funding from various other sources as contemplated. These submissions and assertions by the management envisage that the Company has the ability to garner the required cash flows. Relying on the above, no adjustments have been made in these unaudited consolidated financial results as regards the ability of the company to carry on its operations.

(ii) Note no 13 regarding the uncertainty in respect of lower supplies or availability of fuel such as natural Gas/coal to the power generating plants the management of the Group is confident of securing requisite gas/coal procurement for carrying out normal operations.
- b. Note 5 and 6 of the statement of unaudited consolidated financial results, which explains certain litigations with respect to a customer claim at National Energy Trading and Services Limited (NETS) and land dispute at Lanco Hills Technology Park Private Limited (LHTPPL), the ultimate outcome of these matters cannot presently be determined. The Management, based upon its assessment and legal advice obtained, is confident of the outcome of the matters in its favour. This was also subject matter of our audit report for the year ended March 31, 2012.
- c. Note 7 of the statement of unaudited consolidated financial results, which explains additional advances of Rs.423.87 crores made by a subsidiary to the Company, in accordance with the change in terms of the Engineering, Procurement & Construction (EPC) contract awarded to the Company, which require approval from the lenders and the same has been eliminated while preparing these unaudited consolidated financial results. The management is confident of getting the lenders approval soon for the aforesaid changes in the terms of the EPC contract. This was also subject matter of our audit report for the year ended March 31, 2012.
- d. Note 4 of the statement of unaudited consolidated financial results, which explains the Central Electricity Regulatory Commission (CERC) with respect to Udupi Power Corporation Limited (UPCL) had issued the provisional tariff order on December 24, 2012 for Unit-I. Based on this provisional tariff order UPCL has recognised a revenue towards sale of power amounting to Rs.1239.78 crores for nine months. The statutory auditors of UPCL have drawn attention in their review report.
- e. Note 10 in relation to the carrying value of assets held by stepped down subsidiary Lanco Anpara Power Limited (LANPL). Though LANPL has been incurring losses ever since the commercial operations have commenced, taking into consideration LANPL management's assessment of the situation, the management of the Group is of the view that the carrying value of assets of LANPL (even after considering the losses till date) is realizable at the value stated therein. Accordingly no adjustments have been made in the in the accompanying financial results.



- f. Note 16 of the statement of unaudited consolidated financial results, which explains the applicability of notification issued by Central electricity regulatory Commission (CERC) in relation to rates of depreciation to accounting for regulated and non regulated operations in respect of which the company has sought clarifications and guidance from Ministry of Corporate affairs, Government of India.

Pending the final outcome of the aforementioned matters no adjustments have been made to the accompanying unaudited consolidated financial results in the respect thereof.

5. *Attention is invited to*

- a. *Note 8 of the statement of unaudited consolidated financial results, which explains the restructuring undertaken by the management during the year ended March 31, 2012. The Company's investment as of March 30, 2012 in various subsidiaries and associates was transferred to wholly owned step down subsidiaries and to an associate of wholly owned step down subsidiary aggregating to Rs 6,815.51 crores that require lenders and customer approvals. Management is confident of receiving approvals from various lenders and customer and has taken the effect of these transfers while preparing unaudited consolidated financial results. In case of any of these approvals are not granted, the management will have to revisit the structure and the consequential impact would then be recorded in unaudited consolidated financial results, pending the final outcome of lenders and customer approvals, we are unable to comment on the consequential effects of the foregoing should such approval not be received on these unaudited consolidated financial results. This had also been qualified in our Audit report for the year ended March 31, 2012*
- b. *Note 9 of the statement of unaudited consolidated financial results, which explains the management's assessment with respect to litigation around power purchase agreement of one of the power units of Lanco Amarkantak Power Limited and recognition of revenue of Rs. 17.04 crores for the quarter ended December 31, 2012 (Rs.165.84 Crores till December 31, 2012) and carry forward of Minimum Alternate Tax (MAT) credit entitlement of Rs. 35.05 crores as at December 31, 2012 realisability of which is dependent upon settlement of the aforesaid litigation. Due to the uncertainty over realisability of these balances, we are unable to comment upon any consequential adjustments to the accompanying unaudited consolidated financial results. This had also been qualified in our Audit report for the year ended March 31, 2012.*
- c. *Note 4 of the statement of unaudited consolidated financial results, which explains management's assessment regarding trade receivable of Rs.1738.98 crores as at December 31, 2012, including Rs. 493.06 crores with respect to revenue accounted till December 31, 2012 and awaiting approval from Central Electricity Regulatory Commission (CERC) with respect to Udupi Power Corporation Limited (UPCL), which has been audited by their statutory auditors. The statutory auditors of UPCL have expressed inability to comment on the carrying value of Rs. 493.06 crores and consequential impact on these financial results. Accordingly, we are unable to comment on the consequential effects of the foregoing on the accompanying unaudited consolidated financial results. This had also been qualified in our Auditors report for the year ended March 31, 2012*
- d. *Note 12 of the statement of unaudited consolidated financial results, the accompanying results include financial results of subsidiaries of Lanco Resources International Pte Limited (LRIPL) and subsidiaries of Lanco International Pte Limited (LIPL) whose consolidated accounts after elimination of intra group transactions reflect total assets of Rs.7354.78 crores as at December 31, 2012, the total revenue of Rs 220.51 crores and net loss of Rs.177.26 crores for the quarter then ended December 31, 2012, and a subsidiary Bhola Electricity Private Limited, whose unaudited quarterly financial results reflect total assets of Rs.7.41 crores as at December 31, 2012 and total revenue of Nil for the quarter ended*



December 31, 2012. These financial statements and other financial information have been prepared by the management and which have not been reviewed and our opinion is based solely on the management accounts. We are unable to comment on adjustments that may have been required to the accompanying unaudited consolidated financial results, had such accounts of been reviewed

- e. *Note 14 of the statement of unaudited consolidated financial results, managerial remuneration in respect of Lanco Solar Private Limited (LSPL) amounting to Rs 2.23 crores in the aggregate had been paid in excess of the permissible remuneration under Schedule XIII of the Companies Act, 1956 during the year ended March 31, 2011. LSPL has applied to the Central Government for the approval of such excess remuneration. Pending the final outcome of this matter, we are unable to comment on consequential adjustments, if any, required in the statement of unaudited consolidated financial results in this regard. This had also been qualified in our audit report for the years ended March 31, 2011 and March 31, 2012.*
6. *Except for the possible effects of the matters referred in paragraph 5 above, based on our review conducted as above and on consideration of reports of other auditors on the unaudited separate quarterly financial results and on the other financial information of the components, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 Interim Financial Reporting notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement.*

For Brahmayya & Co.,
Chartered Accountants
Firm Registration No. 000511S



N. Sri Krishna
Partner
Membership No. 26575



Place: Chennai
Date: February 12, 2013