

INDEPENDENT AUDITORS' LIMITED 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 and nine month ended December 31, 2014 ("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 the 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 (e) below, we did not review the financial results of certain component entities that comprise the Group and are included in the consolidated financial results.
 - a. We did not review the unaudited financial results of certain subsidiaries whose financial results reflect total assets of Rs. 10,805.82 Crores as at December 31, 2014 and total revenue of Rs. 724.01 Crores for the quarter ended December 31, 2014. 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 review report on the quarterly consolidated financial results is based solely on the reports of the other auditors.
 - b. We did not review the unaudited financial results of certain overseas subsidiaries whose financial results, prepared under their respective accounting framework, in the aggregate, reflect total assets of Rs. 10,384.74 Crores as at December 31, 2014 and total revenue of Rs. 149.27 Crores for the quarter ended December 31, 2014. The unaudited financial



results of these subsidiaries have been prepared in accordance with the respective accounting framework and have been reviewed by other auditors who have submitted their review conclusions, prepared under generally accepted auditing standards of their respective countries, to the management of the respective overseas subsidiaries, copies of which have been provided to us by the Company. The Management of the Company has converted these financial results of these overseas subsidiaries to accounting principles generally accepted in India, for the purpose of preparation of the Company's consolidated financial results. Our conclusion, thus insofar relates to amounts included in respect of these overseas subsidiaries, is based solely on the reports of other auditors.

- c. We did not review the unaudited financial results of certain associates, whose financial results reflect the Group's share of loss of Rs. 1.34 Crores for the quarter ended December 31, 2014. 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 review report on the quarterly consolidated financial results is based solely on the reports of the other auditors
 - d. We did not review the financial results of certain subsidiaries, whose financial results reflect total assets of Rs. 229.19 Crores as at December 31, 2014 and total revenue of Rs. Nil Crores for the quarter ended December 31, 2014. These financial results and other financial information of these subsidiaries have been prepared by the management and our review report on the quarterly consolidated financial results is based solely on the management accounts.
 - e. We did not review the financial results of an associate, whose financial results reflect the Group's share of Loss of Rs. 0.13 Crores. These financial results and other financial information of the associate has been prepared by the management and our review report on the quarterly consolidated financial results is based solely on the management accounts.
4. Without qualifying our review conclusion, attention is invited to
- a) Note 3 to the consolidated financial results, regarding the adequacy of disclosure concerning the Company's ability to meet its financial obligations including loans, overdue loans, unpaid interest and ability to fund obligations pertaining to operations including unpaid creditors, repayment of advances for ensuring normal operations and investments in ongoing projects. During the quarter, the Group incurred a Net Loss of Rs.616.62 Crores and has loans aggregating Rs. 3,590.44 Crores falling due over next twelve months period which also includes unpaid dues of the Group as at December 31, 2014. These matters require the Company to garner such additional cash flows to fund the operations as well as for meeting the investment obligations towards on-going projects comprising various power and other infrastructure projects which are currently going through low level of implementation activities. The Company approached Corporate Debt Restructuring (CDR) Cell with a scheme



seeking certain reliefs in relation to repayment timelines of loans and accumulated unpaid interest and additional funding for its operations. The restructuring envisages certain sacrifices from lenders and commitments from Company towards infusion of additional funds through divestment of existing assets or otherwise. In the financial year 2013-14, CDR Empowered Group approved the Debt Restructuring Scheme. The Company is in the process of completing required obligations under the scheme to enable the infusion of additional funds from lenders. Notwithstanding certain variances in contracted terms under CDR scheme in relation to part disbursement so far made and their utilization thereon, together with delay in implementation of CDR scheme did not enable the Company to achieve the anticipated performance levels of operations at EPC and Project Companies which has consequential impact on financial results in the form of incurrence of further losses and cost overruns due to delayed execution at the Project level which is currently not quantifiable. However, the 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 further funding from various other sources including the CDR scheme in respect of which the CDR lenders have started their partial disbursements and the Group's efforts in disposing certain assets. These submissions and assertions by the management as evaluated by lenders envisage that the Company has the ability to garner the required cash flows, which have not been independently assessed by us. Relying on the above, no adjustments have been made in these consolidated financial results towards any possible impact on account of low key operations and delayed execution of projects under implementation.

- b) Note 4 (a) to the consolidated financial results, regarding the uncertainty of the availability of natural gas to operate Phase-II and Phase-III power plants of Lanco Kondapalli Power Limited (LKPL), a step down subsidiary of the Company. In view of the said uncertainty, LKPL has approached its lenders of Phase-II and Phase-III for restructuring the debt upto January 2018, which is awaiting sanction. Pending availability of gas required for commencing the operations and approval for restructuring proposal, the impact if any has not been assessed on these consolidated financial results on the eventual availability of gas to operate the Phase-II and Phase-III power plants, which is indeterminable at this point of time.
- c) Note 5 to the consolidated financial results, which explain additional advances of Rs. 636.70 Crores made by Lanco Amarkantak Power Limited (LAPL), a step down subsidiary of the Company, in accordance with the change in terms of the Engineering, Procurement & Construction (EPC) contract awarded to the Company, which requires approval from the respective lenders. However, this gets eliminated while preparing these consolidated financial results. The management is confident of obtaining the requisite lenders approval for the changes in the terms of the EPC Contract or adjusts the same upon resumption of EPC activities.



- d) Note 6 to the consolidated financial results, which explains the management's assessment with respect to the order of Haryana Electricity Regulatory Commission (HERC) dated 23rd January 2015, in regard to the litigation in respect of tariff determination in terms of the power purchase agreement relating to one of the power generating units of Lanco Amarkantak Power Limited (LAPL), a step down subsidiary of the Company, which is under evaluation by LAPL and its legal advisers and the Company intends to seek further relief in the appropriate forum against the said order of HERC. Consequently, the revenue recognized in the previous years amounting to Rs. 195.24 Crores (Rs. Nil during the period ended December 31, 2014), is treated as recoverable and no provision is considered necessary in these consolidated financial results based on the management's assessment and legal advice obtained.
- e) Note 7 to the consolidated financial results, in relation to revenue recognition of Udupi Power Corporation Limited (UPCL), a step down subsidiary of the Company on the basis of tariff as determined by the Central Electricity Regulatory Commission (CERC) by its final tariff order dated February 20, 2014 and consequent appeal of the tariff order by the Principal Buyers with the Appellate Tribunal for Electricity (APTEL) and accordingly the revenue recognized and non-confirmation of balances representing the trade receivables for which the statutory auditors of UPCL have drawn attention in their review report as an emphasis of matter.
- f) Note 8 to the consolidated financial results, in relation to managerial remuneration amounting to Rs. 0.67 Crores relating to previous year and Rs. 1.07 Crores relating to the period 1st April 2014 to 31st December 2014. The appointment and payment of remuneration to the Director needs approval of Central Government. UPCL has applied to the Central Government for approval of the same. Pending final outcome this matter, the statutory auditors of UPCL have drawn attention in their review report as an emphasis of matter on their inability to comment on the consequential adjustments.
- g) Note 9 to the consolidated financial results, which explain the transaction entered by the Company along with its step down subsidiary for sale of their 100% stake in Udupi Power Corporation Limited (UPCL), pending completion of conditions precedent by the Company (as per the definitive transaction documents), the effect of sale is not considered in these consolidated financial results. As per the agreed terms, with effect from August 18, 2014, on closure of the transaction, the result of operations of the UPCL, shall belong to the Buyers. However, the current consolidated financial results include Rs. 968.29 Crores turnover and Rs. 50.22 Crores loss related to the period August 18, 2014 to December 31, 2014, and will be dealt with appropriately on closure of the transaction.



- h) Note 10 to the consolidated financial results, in relation to the carrying value of the assets held by Lanco Anpara Power Limited (LAnPL), a step down subsidiary of the Company. Though LAnPL has been incurring losses ever since the commencement of commercial operation and accumulated losses incurred so far eroded the net worth significantly, taking into consideration LAnPL management's assessment of the situation including efforts towards seeking revision in tariff pending before the regulator, the management of the Company is of the view that the carrying value of the asset of LAnPL is realizable at the value stated therein. Accordingly no adjustments have been made in these consolidated financial results.
- i) Note 11 to the consolidated financial results, which explains the matter in Lanco Teesta Hydro Power Limited (LTHPL), a step down subsidiary of the Company relating to termination of Long Term PPA with Maharashtra State Electricity Distribution Company Limited (MSEDCL) and the time and consequential cost overrun of the project and the management's plans to meet the cost overrun of the project. There has been an extension of Commercial Operation Date (COD) due to the circumstances beyond the control of LTHPL resulting in extended execution of the Hydro power project. In the opinion of the management, the execution of the project with the increased cost and extended timelines for bringing the assets to its intended use is still viable even taking into account the current level of low implementation activities which does not amount to interruption thus continued to capitalize all the costs including interest. Pending resolution of matters concerning the termination of PPA and achieving the required financial closure for funding the cost overrun, no adjustments have been carried out to the carrying value of asset.
- j) Note 12 to the consolidated financial results, which explain land dispute at Lanco Hills Technology Park Private Limited (LHTPPL), a subsidiary of the Company, the ultimate outcome of these matters cannot presently be determined. Management, based upon its assessment and legal advice obtained, is confident of the outcome of the matter in its favour.
- k) Note 13 to the consolidated financial results, which explains the management's view with respect to the impact of unprecedented flash floods in Uttarakhand that seriously affected Lanco Mandakini Hydro Energy Private Limited (LMHEPL), a step down subsidiary of the Company implementing a Hydel Power Project of 76 MW capacity. The insurance survey has been completed and the claims have been lodged with the insurer. LMHEPL has received an interim payment from the Insurer against the claim lodged. In the assessment of management, the potential damage to the carrying value of asset is unlikely to exceed the expected insurance claim. Relying on the assessment of the management of LMHEPL which have not been independently evaluated by us, no adjustments have been made in these consolidated financial results.



- l) Note 14 to the consolidated financial results, dealing with cancellation of coal blocks by the Hon'ble Supreme Court, which included coal mine jointly allotted to Tamil Nadu Electricity Board and Maharashtra State Mining Corporation Limited, the Allottees. Mahatamil Mining and Thermal Energy Limited (MMTEL), a subsidiary of the Company, entered into Coal Mining Services Agreement with the Allottees of the mine, pursuant to which, MMTEL incurred an amount of Rs. 196.76 Crores towards the Project, the realisability of which is dependent on the compensation to be awarded under the Ordinance issued by Government of India. The Company has obtained a legal opinion in this regard based on which, the amount incurred is considered to be recoverable and, hence no adjustments have been made in these consolidated financial results.
- m) Note 15 to the consolidated financial results, which explain 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 has received many such approvals aggregating to 93% in value, of the lenders consenting to the restructuring, the management is confident of receiving balance approvals from lenders and customer in near future and has taken the effect of these transfers while preparing these consolidated financial results. In case of any of these residual approvals are not granted, the management will have to revisit the structure and the consequential impact would then be recorded in the consolidated financial results.
- n) Note 16 to the consolidated financial results, in relation to the carrying value of assets held by step down subsidiaries of Lanco Resources International Pte Limited (LRIPL) a subsidiary of the Company, where the accumulated losses exceeded the net worth of LRIPL, taking into account the management's assessment of the situation including short term initiatives to be implemented to significantly enhance the profitability in the medium to long run, the management is of the view that the carrying value of the assets are realizable at the value stated therein. Accordingly no adjustments have been made in these consolidated financial results.

Our conclusion is not qualified in the respect of the matters reported in paragraphs 3 and 4.

5. *Attention is invited to*

Note 4 (b) to the consolidated financial results where Lanco Kondapalli Power Limited (LKPL), a step down subsidiary of the Company has capitalised borrowing costs amounting to Rs. 70.95 Crores and Rs. 369.59 Crores for the quarter ended and cumulatively up to December 31, 2014 (July 1, 2013 to December 31, 2014) respectively incurred on a plant which is substantially complete, pending commissioning in respect of which, LKPL has to secure the supply of requisite natural gas. However, in our opinion, the capitalization of such expenses is not in accordance with the relevant Accounting Standard. Had the aforesaid expenditure not been capitalised, loss of the



Group (Net of Minority Interest) for the quarter ended December 31, 2014 and cumulatively up to December 31, 2014 would have been higher by Rs. 41.86 Crores and Rs. 218.06 Crores respectively.

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 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) which continue to apply as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 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

Lokesh Vasudevan

Partner

Membership No. 222320

Place : Gurgaon

Date : February 12, 2015

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To
The Board of Directors
Lanco Infratech Limited.

1. We have reviewed the accompanying statement of unaudited financial results of Lanco Infratech Limited ('the Company') for the quarter and nine month ended December 31, 2014 ('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. Without qualifying our review conclusion, attention is invited to
 - a) Note 3 to the financial results, regarding the adequacy of disclosure concerning the Company's ability to meet its financial obligations including loans, overdue loans, unpaid interest and ability to fund obligations pertaining to operations including unpaid creditors, repayment of advances for ensuring normal operations and investments in ongoing projects. During the quarter, the Company incurred a Net Loss of Rs. 201 Crores and has loans aggregating Rs. 278.15 Crores falling due over next twelve months period which also includes unpaid dues of the Company as at December 31, 2014. These matters require the Company to garner such additional cash flows to fund the operations as well as for meeting the investment obligations towards on-going projects comprising various power and other infrastructure projects which are going through low level of implementation activities. The Company approached Corporate Debt Restructuring (CDR) Cell with a scheme seeking certain reliefs in relation to repayment timelines of loans and accumulated unpaid interest and additional funding for its operations. The



restructuring envisages certain sacrifices from lenders and commitments from Company towards infusion of additional funds through divestment of existing assets or otherwise. In the financial year 2013-14, CDR Empowered Group approved the Debt Restructuring Scheme. The Company is in the process of completing required obligations under the scheme to enable the infusion of additional funds from lenders. Notwithstanding certain variances in contracted terms under CDR scheme in relation to part disbursement so far made and their utilization thereon, together with delay in implementation of CDR scheme did not enable the Company to achieve the anticipated performance levels of operations at EPC and Project Companies which has consequential impact on financial results in the form of incurrence of further losses and cost overruns due to delayed execution at the Project level which is currently not quantifiable. However, the 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 further funding from various other sources including the CDR scheme in respect of which the CDR lenders have started their partial disbursements and the Group's efforts in disposing certain assets. These submissions and assertions by the management as evaluated by lenders envisage that the Company has the ability to garner the required cash flows, which have not been independently assessed by us. Relying on the above, no adjustments have been made in these financial results towards any possible impact on account of low key operations and delayed execution of projects under implementation.

- b) Note 9 to the financial results, which explain the transaction entered by the Company along with its step down subsidiaries for sale of their 100% stake in Udupi Power Corporation Limited, pending completion of conditions precedent by the Company (as per the definitive transaction documents), the possible effects of this transaction is not considered in the financial results.
- c) Note 10 to the financial results, in relation to the carrying value of the assets held by Lanco Anpara Power Limited (LANPL), a step down subsidiary of the Company. Though LANPL has been incurring losses ever since the commencement of commercial operation and accumulated losses incurred so far eroded the net worth significantly, taking into consideration LANPL management's assessment of the situation including efforts towards seeking revision in tariff pending before the regulator, the management of the Company is of the view that the carrying value of the asset of LANPL is realizable at the value stated therein. Accordingly no adjustments have been made in these financial results.



- d) Note 14 to the financial results, dealing with cancellation of coal blocks by the Hon'ble Supreme Court, which included coal mine jointly allotted to Tamil Nadu Electricity Board and Maharashtra State Mining Corporation Limited, the Allottees. Mahatamil Mining and Thermal Energy Limited (MMTEL), a subsidiary of the Company, entered into Coal Mining Services Agreement with the Allottees of the mine, pursuant to which, the amount invested amounting to Rs. 169.49 Crores, the realisability of which is dependent on the compensation to be awarded under the Ordinance issued by Government of India. The Company obtained a legal opinion in this regard based on which, the investment is considered to be recoverable and, hence no adjustments have been made in these financial results.
- e) Note 15 to the financial results, which explain 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 has received many such approvals aggregating to 93% in value, of the lenders consenting to the restructuring, the management is confident of receiving balance approvals from lenders and customer in near future and has taken the effect of these transfers while preparing these financial results. In case of any of these residual approvals are not granted, the management will have to revisit the structure and the consequential impact would then be recorded in the financial results.
- f) Note 16 to the financial results, in relation to the carrying value of investment held by the Company in Lanco Resources International Pte Limited (LRIPL) a subsidiary of the Company, where the accumulated losses exceeded the net worth of LRIPL, taking into account the management's assessment of the situation including short term initiatives to be implemented to significantly enhance the profitability in the medium to long run, the management of the Company is of the view that the carrying value of the assets are realizable at the value stated therein. Accordingly no adjustments have been made in these financial results.

Our conclusion is not qualified in the respect of the matters reported in paragraph 3



4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying 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) which continue to apply as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 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

**Lokesh Vasudevan**

Partner

Membership No. 222320

Place : Gurgaon

Date : February 12, 2015