

INDEPENDENT AUDITORS' 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 and nine months ended December 31, 2013 ('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 (d) 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 unaudited financial results of certain subsidiaries whose financial results reflect total assets of Rs.14,774.26 Crores as at December 31, 2013 and total revenue of Rs. 846.35 Crores for the quarter ended December 31, 2013. 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 unaudited consolidated financial results is based solely on the reports of the other auditors.
 - b. We did not review the unaudited financial results of certain associates, whose financial results reflect the Group's share of loss of Rs. 4.95 Crores for the quarter ended December 31, 2013. 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 unaudited consolidated financial results is based solely on the reports of the other auditors.
 - c. We did not review the financial results of a subsidiary, whose financial results reflect total assets of Rs. 200.29 Crores as at December 31, 2013 and total revenue of Rs. Nil for the quarter ended December 31, 2013. These financial results and other financial information of the subsidiary have been prepared by the management and our review report on the quarterly unaudited consolidated financial results is based solely on the management accounts.
 - d. We did not review the financial results of an associate, whose financial results reflect the Group's share of loss of Rs.0.24 Crores. These financial results and other financial information of the associate has been prepared by the management and our review report on the quarterly unaudited consolidated financial results is based solely on the management accounts.



4. Without qualifying our review conclusion, attention is invited to
- a. Note 9 to the accompanying unaudited consolidated financial results as at December 31, 2013, 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 and investments in ongoing projects for ensuring normal operations. During the Quarter, the Group incurred a Net Loss of Rs. 529.68 crores and has net current liabilities of Rs.1,910.28 Crores and has loans aggregating Rs. 1,770.84 Crores falling due over next twelve months period which also includes unpaid dues of the Company as at December 31, 2013. These matters require the Company to garner such additional cash flows to fund the operations as well as the investment obligations towards ongoing projects comprising various power and other infrastructure projects notwithstanding the current level of low 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 to fund the operations. Further this restructuring envisages certain sacrifices from lenders and commitments from company in terms of infusion of additional funds through divestment of existing assets. During the quarter, CDR Empowered Group approved the Debt Restructuring Scheme. The company is in the process of completion of required obligations under the scheme to enable infusion of additional funds from lenders as per the CDR scheme. However, the accompanying 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 including the CDR scheme. 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 unaudited consolidated financial results.
 - b. Note 8 (a) to the accompanying unaudited consolidated financial results for the period ended December 31, 2013 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-III for reschedulement of Commercial Operation Date (COD) and repayment of project loans, which is awaiting sanction. Pending availability of requisite gas required for commencing the operations no impact has been assessed on the 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 10 to the accompanying unaudited consolidated financial results, which explain additional advances of Rs. 542.06 Crores made by 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 accompanying unaudited consolidated financial results. The management is confident of getting the requisite lenders approval for the changes in the terms of the EPC Contract or adjust the same upon resumption of EPC activities.
 - d. Note 11 to the accompanying unaudited consolidated financial results, in relation to revenue recognition of Udupi Power Corporation Limited (UPCL), a step down subsidiary of the Company on provisional basis pending determination of final tariff by Central Electricity Regulatory Commission (CERC) and consequent 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.



- e. Note 12 to the accompanying unaudited consolidated financial results, in relation to the carrying value of assets held by Lanco Anpara Power Limited (LAnPL) and Lanco Budhil Hydro Power Private Limited (LBHPPL), step down subsidiaries of the Company. Though LAnPL and LBHPPL have been incurring losses ever since the commencement of commercial operations and accumulated losses incurred so far eroded the net worth substantially, taking into consideration of LAnPL and LBHPPL management's assessment of the situation including efforts towards seeking revision in tariff etc pending before the regulators, the management of the Company is of the view that the carrying value of Assets of LAnPL and LBHPPL are realizable at the value stated therein. Accordingly, no adjustments have been made in the accompanying unaudited consolidated financial results.
- f. Note 13 to the accompanying unaudited consolidated financial results, which explains the matter in Lanco Teesta Hydro Power Private Limited (LTHPPL), a step down subsidiary of the company relating to proceedings pending with Maharashtra Electricity Regulatory Commission (MERC) regarding tariff revision of Long Term Power Purchase Agreement (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 the company resulting in extended execution of the Hydropower 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 capitalise all the costs including interest. Pending resolution of matters concerning the proceedings relating to PPA and achieving the required financial closure for funding the cost overrun, no adjustments have been carried out to the carrying value of asset.
- g. Note 14 to the accompanying unaudited consolidated financial results, which explain the applicability of notification issued by 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.
- h. Note 16 to the accompanying unaudited 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.
- i. Note 17 to the accompanying unaudited 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. Pending the assessment of impact of the floods by the management and insurance company, no effect is given in these accompanying unaudited consolidated financial results arising on account of any potential damage to the carrying value of the asset over and above the insurance cover and the relevant feasibility studies are also underway for future course of action.

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 3 to the accompanying 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 having received many such approvals is confident of receiving the balance approvals from lenders and customer and has taken the effect of these transfers while preparing the accompanying 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 accompanying 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 approvals not be received on these unaudited consolidated financial results. This had also been qualified in our Audit report for the year ended March 31, 2013 and March 31, 2012.*
- b. *Note 4 to the accompanying unaudited consolidated financial results, which explains the management's assessment with respect to litigation around power purchase agreement of one of the power generating units of Lanco Amarkantak Power Limited (LAPL), a step down subsidiary of the Company and recognition of revenue of Rs. Nil for the period ended December 31, 2013 (Rs. 195.24 Crores till December 31, 2013) realisability of which is dependent upon settlement of the aforesaid litigation. Due to the uncertainty over the recoverability of these balances, we are unable to comment upon any consequential impact on these accompanying unaudited consolidated financial results. This had also been qualified in our Audit report for the year ended March 31, 2013 and March 31, 2012.*
- c. *Note 8 (b) to the accompanying unaudited consolidated financial results for the period ended December 31, 2013 where Lanco Kondapalli Power Limited (LKPL), a step down subsidiary of the company has capitalised borrowing costs amounting to Rs.111.66 Crores for the period July 1, 2013 to December 31, 2013, incurred on a plant which is substantially complete, pending commissioning in respect of which, LKPL has to secure the supply of requisite natural gas and given circumstances, LKPL has approached Ministry of Corporate Affairs (MCA) seeking a relaxation from the applicability of provisions of AS 16 to continue the capitalisation of borrowing costs. However, in our opinion, the capitalisation 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, 2013 and cumulatively up to December 31, 2013 would have been higher by Rs. 33.62 crores and Rs. 65.88 crores respectively.*
- d. *Note 5 to the accompanying unaudited consolidated financial results, which explains the payment of managerial remuneration amounting to Rs.15.06 Crores was paid in excess of the permissible remuneration under Schedule XIII of the Companies Act, 1956 during the financial year ended March 31, 2013. The Company 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 accompanying unaudited consolidated financial results in this regard. This had also been qualified in our Audit report for the year ended March 31, 2013.*



- e. *Note 6 to the accompanying unaudited consolidated financial results, managerial remuneration in respect of Lanco Solar Private Limited (LSPL), a step down subsidiary of the Company amounting to Rs.2.23 Crores was paid in excess of the permissible remuneration under Schedule XIII of the Companies Act, 1956 during the financial year ended March 31, 2013. 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 accompanying unaudited consolidated financial results in this regard. This had also been qualified in our audit reports for the years ended March 31, 2011, March 31, 2012 and March 31, 2013.*
- f. *Note 7 to the accompanying unaudited consolidated financial results, include financial results of subsidiaries of Lanco Resources International Pte Limited (LRIPL) and subsidiaries of Lanco International Pte Limited (LIPL) whose consolidated accounts reflect total assets of Rs.7,630.63 Crores as at December 31, 2013, the total revenue of Rs. 252.47 Crores, total loss of Rs.176.17 Crores for the period then ended December 31, 2013. These financial results and other financial information have been prepared by the management, which have not been reviewed and our review report 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 consolidated accounts been reviewed.*
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



Lokesh Vasudevan
Partner
Membership No. 222320

Place: Gurgaon
Date: February 1, 2014

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

Review report to The Board of Directors Lanco Infratech Limited

1. We have reviewed the accompanying statement of unaudited unconsolidated financial results of Lanco Infratech Limited ('the Company') for the quarter and nine months ended December 31, 2013 (the "Statement"), except for the disclosures regarding 'Public Shareholding' and '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 Engagements (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. *Attention is invited to*
 - a) *Note 3 to the accompanying unaudited financial results, which explain the reorganising 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 having received many such approvals is confident of receiving balance approvals from lenders and customer in near future and has taken the effect of these transfers while preparing 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 accompanying unaudited financial results, pending the final outcome of residual lenders and customer approvals, we are unable to comment on the consequential effects of the foregoing should such approvals not be received on these financial results. This had also been qualified in our audit report for the year ended March 31, 2012 and March 31, 2013.*



- b) *Note 5 to the accompanying unaudited financial results, which explains the payment of managerial remuneration amounting to Rs. 15.06 Crores was paid in excess of the permissible remuneration under Schedule XIII of the Companies Act, 1956 during the financial year ended March 31, 2013. The Company 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 accompanying unaudited financial results in this regard. This had also been qualified in our Audit report for the year ended March 31, 2013.*

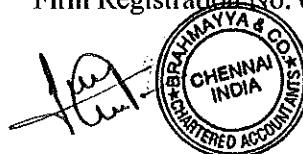
4. Without qualifying our review conclusion, your attention is invited to

- i) Note 9 of the accompanying unaudited financial results as at December 31, 2013, 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 and investments in ongoing projects for ensuring normal operations. The Company has loans aggregating Rs. 94.14 Crores falling due over next twelve months period which also includes unpaid dues of the Company as at December 31, 2013. These matters require the Company to garner such additional cash flows to fund the operations as well as the investment obligations towards ongoing projects comprising various power and other infrastructure projects notwithstanding the current level of low 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 to fund the operations. Further this restructuring envisages certain sacrifices from lenders and commitments from company in terms of infusion of additional funds through divestment of existing assets. During the quarter, CDR Empowered Group approved the Debt Restructuring Scheme. The company is in the process of completion of required obligations under the scheme to enable infusion of additional funds from lenders as per the CDR scheme. However, the accompanying 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 including the CDR scheme. 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 unaudited financial results
- ii) Note 12 to the accompanying unaudited financial results, in relation to the carrying value of assets held by Lanco Anpara Power Limited (LAnPL) and Lanco Budhil Hydro Power Private Limited (LBHPPL), step down subsidiaries of the Company. Though LAnPL and LBHPPL have been incurring losses ever since the commencement of commercial operations and accumulated losses incurred so far eroded the net worth substantially, taking into consideration of LAnPL and LBHPPL management's assessment of the situation including efforts towards seeking revision in tariff etc pending before the regulators, the management of the Company is of the view that the carrying value of Assets of LAnPL and LBHPPL are realizable at the value stated therein. Accordingly, no adjustments have been made in the accompanying unaudited financial results.



5. *Except for the possible effects of the matters referred in paragraph 3 above*, based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited 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



Lokesh Vasudevan
Partner
Membership No. 222320

Place: Gurgaon
Date: February 1, 2014