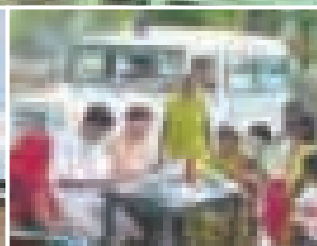
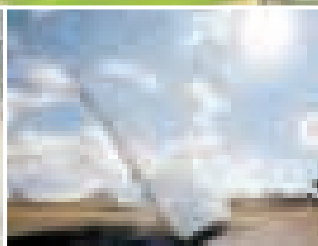
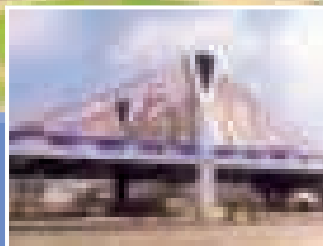




Continual improvement is an **unending** journey

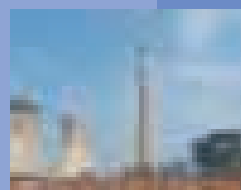
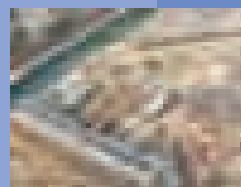


Lanco Infratech Limited

Annual Report | 2009-2010

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Corporate Information

Board of Directors

Mr. L. Madhusudhan Rao	-	Executive Chairman
Mr. G. Bhaskara Rao	-	Executive Vice-Chairman
Mr. L. Sridhar	-	Vice-Chairman
Mr. G. Venkatesh Babu	-	Managing Director
Dr. Pamidi Kotaiah	-	Director
Mr. P. Abraham	-	Director
Dr. Uddesh Kumar Kohli	-	Director
Mr. P. Narasimharamulu	-	Director
Dr. B. Vasanthan	-	Director
Mr. J. Suresh Kumar	-	Chief Financial Officer
Mr. C. Krishnakumar	-	Sr. Vice-President & Company Secretary

Auditors

Brahmayya & Co.,

Chartered Accountants,
No. 48, Masilamani Road, Balaji Nagar, Royapettah,
Chennai – 600 014, Tamil Nadu, India.

Price Waterhouse,

Chartered Accountants,
Building 8, 7th & 8th Floor,
Tower-B, DLF Cyber City,
Gurgaon–122 002, Haryana, India.

Registered Office

: Plot No.4, Software Units Layout, HITEC City,
Madhapur, Hyderabad – 500 081, Andhra Pradesh, India.
Phone: +91-40-4009 0400, Fax: +91-40-2311 6109
E-mail: complianceofficer.litl@lancogroup.com
Website: www.lancogroup.com

Corporate Office

: Lanco House, Plot No. 397, Udyog Vihar, Phase-3,
Gurgaon–122 016, Haryana, India.
Phone: +91-124-474 1000, Fax: +91-124-474 1764

**Bankers and Financial Institutions
of the company**

: Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of Maharashtra
Canara Bank
Central Bank of India
Corporation Bank
DBS Bank Limited
Dena Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
Indian Overseas Bank
IndusInd Bank Limited
Infrastructure Development Finance company Limited
ING Vysya Bank Limited
Kotak Mahindra Bank Limited
Life Insurance Corporation of India
Oriental Bank of Commerce
Punjab & Sind Bank
Punjab National Bank
Srei Infrastructure Finance Limited
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Patiala
Syndicate Bank
Tata Capital Limited
The Catholic Syrian Bank Limited
The Jammu & Kashmir Bank Limited
UCO Bank
Union Bank of India
Vijaya Bank
Yes Bank Limited

Registrars & Share Transfer Agents

: **Link Intime India Private Limited**
(Unit: Lanco Infratech Limited)
Regd. Office: C-13, Pannalal Silk Mills Compound, L.B.S Marg,
Bhandup (West), Mumbai – 400 078, Maharashtra, India.
Phone: +91-22-2594 6970, Fax: +91-22-2594 6969
E-mail: lanco@linkintime.co.in
Website: www.linkintime.co.in

YEAR AT A GLANCE

DETAILS	Rs. Millions		Change
	2009-10	2008-09	%
Gross Revenue	82,160	60,614	36
Earning before Depreciation, Interest and Tax	16,354	8,788	86
Depreciation	3,479	1,073	224
Earning before Interest and Tax	12,875	7,715	67
Interest and Finance charges	3,554	2,185	63
Earning before Tax	9,321	5,530	69
Provision for Taxation	3,643	1,690	116
Profit after Tax(Before Minority Interest and Share of Profits from Associates)	5,678	3,840	48
Share of Minority Interest	915	1,041	(12)
Share of Profits/ (Loss) from Associates	-178	5	(3,904)
Profit after Tax(After Minority Interest and Profits in Associates)	4,585	2,804	64
Cash from Operating Activities	1,557	2,383	(35)
Share Capital	2,385	2,198	9
ESOP Outstanding	746	207	260
Reserves & Surplus	30,316	18,570	63
Minority Interest	7,108	7,033	1
Net Worth	33,448	20,976	59
Loan Funds	83,614	55,970	49
Deferred Tax Liability	1,003	175	474
Gross Block	61,644	23,867	158
Cumulative Depreciation	10,867	7,615	43
Net Fixed Assets	50,777	16,252	212
Capital Work in Progress	19,237	37,887	(49)
Investments	20,229	9,837	106
Current Assets	70,039	51,509	36
Current Liabilities	35,110	31,331	12
Net Current Assets	34,929	20,178	73
Total Assets	160,283	115,485	39
Earning Per Share (in Rs.)			
Basic	2.05	1.33	54
Diluted	2.02	1.31	54

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Seventeenth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended March 31, 2010.

CONSOLIDATED FINANCIAL RESULTS

Rs. Millions

	Year ended 31st March,		Change (%)
	2010	2009	
INCOME			
Sales, Operating and Other Income	82,914.99	61,262.04	35
Less: Elimination of Unrealised Profit on Transactions with Associate Companies	755.31	647.59	17
Total	82,159.68	60,614.45	36
EXPENDITURE			
Construction, Generation and Operating Expenses	61,493.77	49,075.83	25
Administrative and Other Expenses	4,311.48	2,750.21	57
Interest and Finance Charges	3,554.11	2,184.90	63
Depreciation	3,478.80	1,073.39	224
Total	72,838.16	55,084.33	32
Profit Before Taxation, Minority Interest and Share of Profits of Associates	9,321.52	5,530.12	69
Provision for Taxation			
- Current Tax	2,658.53	1,651.46	61
- Relating to Previous Years	151.97	16.76	807
- Fringe Benefit Tax [including Rs. 4.12 Million (2009: Nil) relating to previous year]	4.12	20.49	(80)
- Deferred Tax	828.22	1.69	48,831
Net Profit after Taxation, before Minority Interest and Share of Profits of Associates	5,678.69	3,839.72	48
Less: Share of Minority Interest	915.24	1,040.83	(12)
Add: Share of Profits of Associates	(177.97)	4.68	(3,904)
Net Profit after Taxation, Minority Interest and Share of Profits of Associates	4,585.48	2,803.57	64
Surplus brought forward	7,795.53	5,297.87	47
Less: Exchange Fluctuation Gain netted in Fixed Assets relating to earlier year	-	183.90	(100)
Profit Available for Appropriation	12,381.01	7,917.54	56
Transfer (from) / to Debenture Redemption Reserve	(24.23)	(17.99)	35
Transferred to General Reserve	190.00	140.00	36
Balance Carried to Consolidated Balance Sheet	12,215.24	7,795.53	57

STANDALONE FINANCIAL RESULTS

Rs. Millions

	Year ended 31st, March		Change (%)
	2010	2009	
INCOME			
Operating Income & Other Income	59,982.14	40,976.47	46
Total	59,982.14	40,976.47	46
EXPENDITURE			
Construction and Operating Expenses	46,433.08	32,900.92	41
Administrative and Other Expenses	3,770.92	2,253.83	67
Interest and Finance charges	1,979.40	1,386.12	43
Depreciation	597.71	405.26	47
Total	52,781.11	36,946.13	43
Profit Before Taxation	7,201.03	4,030.34	79
Provision for Taxation			
Current Tax			
For the year	2,441.91	1,342.26	82
Earlier years	19.57	15.16	29
Deferred Tax	(124.27)	7.12	(1,845)
Fringe Benefit Tax	-	17.12	(100)
Profit after Taxation	4,863.82	2,648.68	84
Balance of Profit brought forward	5,853.82	3,205.14	83
Balance of profit Carried to Balance Sheet	10,717.64	5,853.82	83

OPERATIONS REVIEW

On a Consolidated basis your Company has reported Gross Revenues of Rs.82,159.68 Millions as against Rs.60,614.45 Millions of Revenues registered in the Previous Year up by 36%. Total Expenditure for the Year was Rs.72,838.15 Millions as against Rs.55,084.33 Millions in the Previous Year an increase of 32% on the back of increased execution activities of various projects. The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) amounted to Rs.16,354.44 Millions while the same was Rs.8,788.41 Million for the Previous Year i.e. an increase of 86%. The Profit Before Taxation stood at Rs.9,321.53 Millions, an increase of 69% as compared to Rs.5,530.12 Millions in the Last Year.

The Net Profit After Tax after adjustment of Minority Interest and Share of Profits of Associates was Rs.4,585.48 Millions as against Rs.2,803.57 Millions for the Previous Year, increase by 64%.

Gross Interest and Finance charges on consolidated basis amounted to Rs.3,554.11 Millions in comparison to Rs.2,184.90 Millions due to increase in loans and Working Capital Requirements for Project Execution.

A detailed discussion on the results of the operations and the financial condition is included in the Management Discussion and Analysis section placed at **Annexure-II** to this report.

BUSINESS REVIEW

A detailed business review is being given in the Management Discussion and Analysis Section of the Annual Report.

SUBSIDIARY COMPANIES

During the Year – (1) Coral Orchids Private Limited, (2) Cressida Properties Private Limited, (3) Jupiter Infratech Private Limited, (4) Leda Properties Private Limited, (5) Thebe Properties Private Limited, (6) Uranus Infratech Private Limited, (7) Lanco Enterprise Pte. Limited, Singapore, (8) Lanco Infratech (Mauritius) Limited and (9) Pt. Lanco Indonesia Energy have become Subsidiaries of the Company.

During the year, the names of the following Subsidiaries have been changed.

(1) Lanco Power Trading Limited (Formerly Lanco Electric Utility Limited), (2) Lanco Amarkantak Power Limited (Formerly Lanco Amarkantak Power Private Limited), (3) Lanco Vidarbha Thermal Power Limited (Formerly Lanco Mahanadi Power Private Limited).

HEALTH, SAFETY AND ENVIRONMENT

The Group's concern for environment was recognized, as Aban Power Company Limited, a Subsidiary of the Company, won Teri Corporate Award for "Excellence in Environment and CSR Activities" in June, 2009.

The Group is consciously making forays in Renewable Energy Sector, into Solar Power Projects in addition to the on-going Hydro Projects.

The coveted certification like OHSAS 18001 in respect of Environment Management System was bestowed, in recognition of the commitment of the Group in respect of issues of Health, Safety & Environment.

DIRECTORS

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

Mr. D.V. Rao, Joint Managing Director, resigned to his position from the Board with effect from 7th August, 2009.

DEPOSITS

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

AUDITORS

Brahmayya & Co., Chartered Accountants, and Price Waterhouse, Chartered Accountants, Auditors of the Company, will retire at the conclusion of the Annual General Meeting.

Price Waterhouse, Chartered Accountants, vide their Letter Dated 11th June, 2010, conveyed their inability to be considered for re-appointment as Auditors.

Special Notices, under Section 190 of the Companies Act, 1956, were received, proposing an Ordinary Resolution to appoint S.R. Batliboi &

Associates, Chartered Accountants, and Brahmayya & Co., Chartered Accountants, as Auditors from the conclusion of the Annual General Meeting to the conclusion of the next Annual General Meeting, in place of the retiring Auditors.

S.R. Batliboi & Associates, Chartered Accountants, conveyed their willingness to accept appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

Brahmayya & Co., Chartered Accountants, conveyed their willingness to accept appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

We present the abridged accounts under Section 219 of the Companies Act, 1956. Pursuant to the Companies (Central Government's) General Rules & Forms, 1956 read with Section 219 of the Companies Act, 1956, the Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required by Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 have not been provided. However, these particulars are available for inspection at the Registered Office of the Company and upon written request from a shareholder, we will arrange to mail these details.

DISCLOSURE ON COMPANY'S EMPLOYEES STOCK OPTION PLAN-2006

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

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

PARTICULARS OF EMPLOYEES

We present the abridged accounts under Section 219 of the Companies Act, 1956. Pursuant to the Companies (Central Government's) General Rules & Forms, 1956 read with Section 219 of the Companies Act, 1956, the Particulars of Employees as required by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employee) Rules, 1975 have not been provided. However, these particulars are available for inspection at the Registered Office of the Company and upon written request from a shareholder, we will arrange to mail these details.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

The Report on Corporate Governance is given separately in this Annual Report. The Certificate of Practising Company Secretary certifying compliance in this regard is annexed to this report.

Note on Particulars required as per Section 212 of the Companies Act, 1956

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

The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at our Registered Office and that of Subsidiary Companies concerned.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures are made from the same;
- (ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the period;
- (iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) We have prepared the annual accounts on a going concern basis.

INFORMATION ON OBSERVATIONS IN ANNEXURE TO AUDITORS' REPORT

In Item No. 21 of the Annexure to the Auditors' Report, the facts are stated giving fullest information and are self explanatory. It is confirmed that systems have been further strengthened to exercise better control to prevent such instances in future.

DEVELOPMENTS DURING THE YEAR

On 7th August, 2009, 1,84,18,587 (One Crore Eighty Four Lakhs Eighteen Thousand Five Hundred and Eighty Seven) Equity Shares of Face Value of Rs.10/- each were allotted at an Issue Price of Rs.394.90 Per Equity Share (including Rs.384.90 Per Equity Share towards Share Premium) under the Qualified Institutions Placement.

One Equity Share of the Company of face value of Rs.10/- each fully paid-up was sub-divided into 10 (Ten) Equity Shares of Re.1/- each face value as fully paid-up, pursuant to the resolutions passed through Postal Ballot on 14th December, 2009, the record date being 5th January, 2010.

Approval was accorded to the Board of Directors pursuant to Section 293(1)(a) of the Companies Act, 1956, through Postal Ballot on 19th March, 2010 to Sell, Transfer and/or dispose of the whole or substantially whole of the Investments held by the Company in Subsidiaries, Associates and other Group Companies in the Power Segment to any Wholly Owned Subsidiary of the Company in the Power Segment.

ACKNOWLEDGEMENT AND APPRECIATION

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

FOR AND ON BEHALF OF THE BOARD

Dr. P. KOTAIAH
Director

G. VENKATESH BABU
Managing Director

Place: Gurgaon,
Date: 11.06.2010.

Annexure I – FORMING PART OF THE DIRECTORS' REPORT

Disclosure in compliance with Clause 12 of the SEBI (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999 as amended

Sl. No.	Description	Employees Stock Options Plan 2006	
1	Total Number of Options under the plan	111,180,960	
2	Options granted during the year	9,242,090	
3	Pricing Formula	The options issued by the ESOP Trust shall be at Par Value subject to the adjustments for corporate actions such as Bonus, Consolidation and Split.	
4	Options vested as of March 31, 2010	26,342,870	
5	Options Exercised during the year	18,724,360	
6	The total number of shares arising as a result of exercise of option (As of March 31, 2010)	20,548,980	
7	Options lapsed during the year	4,277,500	
8	Variation of Terms of options upto March 31, 2010	Nil	
9	Money realised by exercise of Options	Rs.4,550,019	
10	Total Number of options in force as on March 31, 2010	75,424,480	
11	Employee wise details of options granted to		
	(i) Senior Management during the Year	List enclosed as annexure (I) (a)	
	(ii) Employees holding 5% or more of the total number of options granted during the year	List enclosed as annexure (I) (b)	
	(iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant.	Nil	
12	Diluted Earnings Per Share pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20	Rs. 2.14	
13	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of the difference on profits and on EPS of the Company.	Since these options were granted at a nominal exercise price, intrinsic value on the date of grant approximates the fair value of options.	
14	Weighted average exercise prices and weighted average fair values of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Exercise Price Rs.0.243 Per Option, Fair Value Rs. 39.29 as on 29.07.2009 and Rs.51.34 as on 27.01.2010.	
15	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	Since these options were granted at a nominal exercise price, intrinsic value on the date of grant approximates the fair value of options.	
	(a) risk free interest rate		8%
	(b) expected life		7 Years
	(c) expected volatility		30%
	(d) Expected dividends, and		Nil
	(e) the price of the underlying share in market at the time of option grant.		(i) For Grant of 29.07.2009 - Rs.43.24 (ii) For Grant of 27.01.2010 - Rs.49.55
Note - For the sake of Consistency and uniformity, the options have been shown as of the Face Value of Re.1/- each (though the Face Value was Rs.10/- till January 5, 2010)			

Annexure – (I) (a)

Employee wise details of Options Granted to Senior Management during the Year 2009-10

Sl. No.	Name of the Employee	Number of Options Granted
1	Mr. G. Venkatesh Babu	500,000
2	Mr. P. Panduranga Rao	400,000
3	Mr. K. Raja Gopal	210,000
4	Mr. Pradeep Lenka	210,000
5	Mr. S. Pochender	210,000
6	Mr. S. M. Roy	158,350
7	Mr. S. C. Manocha	460,000
8	Mr. Sanjay Kumar Mittal	255,000
10	Mr. V. Saibaba	301,050
11	Mr. K. K. V. Naga Prasad	255,000
12	Mr. J. Suresh Kumar	340,000
13	Mr. Kamat S.V	113,350
14	Mr. V. Ravindran	37,500
15	Mr. K. K. Panda	24,350
16	Mr. V. K. Reddy	36,700
17	Mr. E. Ravi Keshav	28,000
18	Mr. M. N. Ravi Shankar	21,900
19	Mr. B. K. Sharada	29,400
20	Mr. Vinod Kumar Kapoor	39,150
21	Mr. Rakesh Kumar Gupta	41,100
22	Mr. Satyendra Kumar	28,300
23	Mr. Gadde Ramesh	23,850
24	Mr. Brijendra Sharma	19,550
25	Mr. B. Narsinga Rao Mohan	18,200
26	Mr. S. Venkata Rama Reddy	37,500
27	Mr. Philip Chacko	80,000
28	Mr. K. Krishna Babu	16,800
29	Mr. V. Srinivas	31,500
30	Mr. L. Yugandhara Babu	26,900
31	Mr. B. Dharma Teja	50,150
32	Mr. B. Manohar	50,150
33	Mr. Sanjay Divakar Joshi	38,250
34	Mr. R. A. Mulla	29,000
35	Mr. Basavaraj Gurappa Hooli	51,000
36	Mr. A. K. Singh	12,900
37	Mr. R. R. Nair	24,400
38	Mr. Ashok Kumar Sood	17,000
39	Mr. T. V. Rao	16,050
40	Mr. Mohan Jacob	26,250
41	Dr. K. P. Kumar	26,250
42	Mr. T. Adi Babu	31,350
43	Mr. D. Krishna Rao	28,150
44	Mr. T. C. Upreti	30,500
45	Mr. T. N. Subramaniam	22,900
46	Mr. D. Venkata Giridhar	10,050
47	Mr. M. C. S. Reddy	30,500
48	Mr. Rajesh Suri	26,100
49	Mr. Naresh Kumar Khanna	15,850
50	Mr. Krishnaswamy Ramesh	21,250
51	Mr. Vishwanaath T.	22,850
52	Mr. S. V. Ramana Rao	12,550
53	Mr. B. K. Ojha	5,050
54	Mr. A. Srinivasa Rao	9,800
55	Mr. R. Parthasarathy	11,900
56	Mr. L. Uma Maheswara Rao	26,665
57	Mr. Manoj Kumar Agarwal	69,555
58	Mr. Vinod Kumar Rajora	40,580
59	Mr. M. Pavan Kumar	55,555

Annexure – (I) (b)

Employees holding 5% or more of the total number of options granted during the year 2009-10.

Sl. No.	Name of the Employee	Number of Options Granted
1	Mr. G. Venkatesh Babu	500,000