NOTES IN RELATION TO THE FINANCIAL RESULTS

1. The reported consolidated Net Operating Income and Net Profit / (Loss) have been arrived at after eliminating inter-company transactions as per Accounting Standard (AS) 21 “Consolidated Financial Statements” and Accounting Standard (AS) 23 “Accounting for Investments in Associates in Consolidated Financial Statements”. It may be noted that the above eliminations do not reduce the cash earnings of the Company on the standalone / consolidated basis. The impact of these eliminations on Net Operating Income and Net Profit / (Loss) is presented as under:

Rs. Cr

Particulars	**Quarter Ended (Unaudited)**			**Year Ended (Audited)**
	June 30, 2015	**March 31, 2015**	**June 30, 2014**	**March 31, 2015**
Reported Net Operating Income	1,541.72	2,224.27	2,604.52	9,371.91
Elimination of Intersegment Operating Income	68.67	51.62	53.46	170.67
Total Income before elimination	1,610.39	2,275.89	2,657.98	9,542.58
Reported Net Profit /(Loss)	(300.36)	(586.29)	(306.35)	(2,036.74)
Elimination as per AS 21 & 23	7.97	(33.23)	2.37	(28.32)
Forex loss / (gain)	(36.23)	140.26	(42.14)	479.52
Net Profit or (Loss) before elimination & Forex loss / (gain)	(328.62)	(479.26)	(346.12)	(1,585.54)

2. The Information on Standalone Financial Results

Rs. Cr

Particulars	**Quarter Ended (Unaudited)**			**Year Ended (Audited)**
	June 30, 2015	**March 31, 2015**	**June 30, 2014**	**March 31, 2015**
Income from operations	238.53	324.39	354.19	1,395.52
PBT	(87.32)	(278.29)	(148.92)	(717.63)
PAT	(87.32)	(232.89)	(148.92)	(672.23)
Forex loss / (gain)	(33.42)	(26.12)	1.45	23.29
PAT before forex loss / (gain)	(120.74)	(259.01)	(147.47)	(648.94)

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3. As at June 30, 2015 the Group has receivables from various State Electricity Utility Companies and other customers for sale of power aggregating to Rs. 1,165.17 Cr, net current liabilities of Rs. 159.88 Cr and current maturities of long term borrowings of Rs.1,261.55 Cr. Based on internal assessment and various discussions with the customers, the management is confident of recovery of receivables. At present the Group's operating assets are not generating envisaged revenues on account of various factors beyond the control of the company, such as short supply of coal & gas, pending tariff clarity and delayed payments from the customers is posing challenges for meeting the cash flow needs. However the Group has actively engaged in resolving each of the aspects associated with the respective revenue generating units by effectively addressing the core issues which would enable a quick turnaround in the situation and the management is confident that the efforts would result in the operating units generating positive cash flows. The approved CDR scheme & additional funding to the company and recent lenders approvals of the cost overrun proposals for the projects under construction and the effort to bring strategic investors, disposal of assets, would also bring in the additional cash flows into the system. Cumulatively, the Group is confident that the initiatives narrated above would address the bottlenecks and make the operating units viable, augmenting the EPC activity to normal level and thus does not foresee any eventual cash flow mismatch in terms of meeting its financial obligations including that of the lenders, vendors and others and also will have adequate cash flows to support the implementation of ongoing projects which are capitalizing interest and expenses during the period of construction including the current low level period of construction. This is an emphasis of matter in the auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

4. (a) Due to shortage of gas, one of the step down subsidiary of the company i.e. Lanco Kondapalli Power Limited (LKPL), could not complete the activities required for COD of the Phase III and could not operate the Phase II plant. The project lenders have approved the cost overrun funding and restructuring of the debt repayments for Phase – III and lenders (except one lender) approved refinance proposal for Phase – II debt. LKPL is one of the successful bidders in the recent gas pooling bids which enabled LKPL to operate part of its capacity from June 09, 2015. This is an emphasis of matter in the auditor's report for the year ended March 31, 2013, March 31, 2014, March 31, 2015 and limited review report for the quarter ended June 30, 2015.

(b) During the quarter ended June 30, 2015, LKPL has capitalised Rs. 74.01 Cr (from July 01, 2013 to June 30, 2015 Rs. 515.74 Cr) of borrowing costs incurred on loans pertaining to Phase III plant which is yet to complete commissioning activities due to non-availability of required resources which is beyond the control of LKPL. Hence, the LKPL is of the view that plant is not ready for the commissioning as the plant is yet to be tested for capability and suitability of its intended use. Therefore it is eligible to capitalise the borrowing costs till the completion of required commissioning activities. The lenders of the project approved the above interest during construction as a part of the project cost. LKPL has re approached Ministry of Corporate Affairs (MCA) to seek clarification on the applicability of provisions of AS 16 to continue the capitalisation of borrowing costs. LKPL has commissioned successfully and declared Commercial Operations Date (COD) for its expansion capacity of 371 MW (Phase III - Unit I) on August 11, 2015. This is a subject matter of qualification in auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

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5. (a) Lanco Amarkantak Power Limited (LAPL), one of the step down subsidiary of the company terminated its PPA with PTC for supply of power to HPGCL from its Unit-II for non-compliance of certain PPA covenants, which is currently under litigation. LAPL has recognised its revenue as per the Central Electricity Regulatory Commission (CERC) tariff rate based on the application filed with Haryana Electricity Regulatory Commission (HERC) to fix or approve the tariff pursuant to the Hon'ble Supreme Court (SC) order dated December 16, 2011. APTEL vide its order dated January 03, 2014, set aside the tariff determined by the HERC on October 17, 2012 which is not in consonance with the remand order of the SC and directed the HERC to re-determine the interim tariff. LAPL recognized the differential revenue during the previous years (Rs.99.25 Cr and Rs. 95.99 Cr for the years ended March 31, 2013 and March 31, 2012 respectively), whereas the payments have been released by the procurer on the basis of erstwhile PPA capped tariff rate and consequently the receivables are higher by Rs.195.24 Cr as at June 30, 2015 from March 31, 2013 and Rs. 95.99 Cr as at March 31, 2012. HERC vide its Order dated January 23, 2015 determined the tariff for Unit - II of LAPL with the break-up of annual fixed charges and variable charges thereto for the period May 07, 2011 to March 31, 2013. Further, it has also determined the fixed charges for the tariff years 2013-14 and 2014-15 based on the HERC Tariff Regulations, 2008. HERC held that, tariff shall be worked out based on cost parameters and norms approved in the said order till further order is passed in the matter by the Hon'ble Supreme Court.

LAPL has filed an appeal in APTEL, challenging the methodology followed by HERC on tariff determined vide its order dated January 23, 2015. The Management based upon its assessment and legal advice obtained, is confident of realization of the revenue recognised. Hence, no adjustments have been made in the accompanying results for the differential revenue.

(b) LAPL has filed writ petition before the Hon'ble High Court of Delhi on the applicability of certain norms of the CERC Tariff Regulations, 2014 for its Unit – I. Pending disposal of the said writ petition by the Hon'ble High Court of Delhi, LAPL continues to recognize Unit - I revenue based on the approved tariff order dated December 01, 2012 of Madhya Pradesh Electricity Regulatory Commission (MPERC).

These are an emphasis of matters in the audit report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

6. Lanco Anpara Power Limited - 1200 MW (LAnPL) one of the step down subsidiary of the company, started their operations in December 2011 and plant had been operating at sub optimal levels during the stabilization phase on account of coal & infrastructure constraints. Due to non-fulfillment of certain obligations by buyers i.e. Uttar Pradesh State Power Distribution Companies under the PPA with the LAnPL for sale of 1,100 MW power, LAnPL has terminated the PPA and exercised the option available under PPA. LAnPL filed petition before UPERC for resolution of options. UPERC had appointed independent committee to give the recommendation on the amount of compensatory tariff to enable the plant operation to be viable. LAnPL has taken necessary steps and confident of improving the operating levels of the plant in future and would meet financial obligations as and when they arise and of the view that the carrying value of Assets of LAnPL is realizable at the value stated therein. This is an emphasis of matter in the auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

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7. One of the step down subsidiary of the company i.e., Lanco Teesta Hydro Power Limited – 500 MW (LTHPL), due to delay in diversion of forest land, poor geology and earthquake, leading to substantial time and cost overrun, had filed a revisionary petition before Maharashtra Electricity Regulatory Commission (MERC) towards revision of PPA Tariff for viability of the project. As there was no immediate relief received from the MERC, on September 18, 2014 LTHPL had terminated the PPA with MSEDCL. The company has already invested more than its share of equity to be invested in the project as per the original project cost. Issues related to COD on account of delay in the project execution due to earth quake and other geological issues, and consequential overrun in the project cost still under the consideration of the project lenders. The company is in the process of bringing strategic partner for the project which is taking considerable time. In the interest of the project the project lenders are proposing strategic debt restructuring to facilitate subsequent strategic divestment. The Management is focusing on the completion of the project to bring value to all the stake holders. The Management is confident that even after considering the cost overruns and delays in execution there is viability in the project and hence does not foresee any requirement for adjustment in carrying value of assets in the financial statements. This is an emphasis of matter in the auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

8. With respect to Lanco Hills Technology Park Private Limited (LHTPPL) one of the subsidiaries of the Company is developing a 100 acre integrated township called 'Lanco Hills' at Hyderabad, Telangana. With regard to dispute of the title of the land between the Wakf Board and Government of Telangana, the Wakf tribunal restricted the LHTPPL from alienating the property which was upheld by the Hon'ble High Court of Andhra Pradesh. LHTPPL has appealed against the order of the Honorable High Court of Andhra Pradesh before the Honorable Supreme Court, which granted an interim stay against the orders of Honorable High Court of Andhra Pradesh and the Wakf Tribunal. Pending the final outcome of appeal before the Honorable Supreme Court, the Management based upon its assessment and legal advice obtained, is confident of the outcome of the matter in its favour and no adjustments have been made in respect of this matter in the accompanying results. This is an emphasis of matter in the auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

9. Lanco Mandakini Hydro Energy Private Limited (LMHEPL) one of the step down subsidiary of the company developing 76 MW Hydro Electric Project on river Mandakini in Uttarakhand, has been impacted and considerable damage has been witnessed across the project site due to devastating flash floods occurred in the Rudraprayag district of Uttarakhand in the month of June 2013. The said Project is insured under CAR & ALOP policies to cover the damages including Act of God. Against the claims lodged with the insurer, on-account payment received from the insurer. The Management is confident that the potential damage to carrying value of the asset is unlikely to exceed the expected insurance claim. This is an emphasis of matter in the auditor's report for the year ended March 31, 2014 and March 31, 2015 and limited review report for the quarter ended June 30, 2015.

10. Mahatamil Mining and Thermal Energy Limited (MMTEL), a subsidiary of the company had entered into Coal Mining Services (CMS) agreement with Mahatamil Collieries Limited (MCL) for developing and mining of Gare pelma II Coal block located in the state of Chhattisgarh, the said coal block was cancelled by the Hon'ble Supreme Court. As per CMS agreement MMTEL has incurred an amount of Rs. 204.66 Cr till March 31, 2015 towards exploration, infrastructure and earnest money deposit. The amount incurred has been claimed by MMTEL as per terms of the Coal Mines (Special Provisions) Ordinance, 2014 and the management is confident on recoverability of the claim. This is an emphasis of matter in the auditor's report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

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11. During the quarter ended March 31, 2012, the Company has put in place two level power holding company structure wherein Lanco Power Limited (LPL) subsidiary of the Company as the power holding vehicle for the Group. LPL has further two subsidiaries namely Lanco Thermal Power Limited (LTPL) and Lanco Hydro Power Limited (LHPL) as thermal power holding company and hydro power holding company respectively. As approved by the members, vide their resolution dated March 19, 2010 the Company has sold it's shareholding in some of its Subsidiaries and Associate Companies to its wholly owned step down subsidiaries i.e., LTPL and LHPL on March 30, 2012 for cash consideration. The Group has obtained approvals from 96% in Value of the lenders / one customer and share transfer process is in progress. However, this transaction has no impact in the consolidated financials. This is an emphasis of matter in the auditor's report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

12. Lanco Resources International Pte Limited (LRIPL) along with its subsidiary companies (Griffin Coal Mine Operations, Australia) have been incurring losses from acquisition onwards. The management is taking necessary steps to optimise its mining cost and to improve the coal mining capacity by expanding the associated infrastructure including development of port to scale up the export sales. Upon implementation of short term initiatives, the management is confident of improving the profitability of the business in short period and carrying value of the assets are realizable at the value stated in the books. Accordingly, no adjustments have been made in these financials results. This is an emphasis of matter in the auditor's report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

13. Managerial remuneration paid during the previous year aggregating to Rs.1.69 Cr is in excess of the permissible limits of remuneration payable under the provisions of the Companies Act, 2013 read with rules notified thereon. The Company has obtained NOC from the lead lender on behalf of all the CDR lenders and submitted to Central Government seeking their approval for such remuneration in excess of limits. Pending the said approval no adjustments have been made in these consolidated financial results. This is an emphasis of matter in the auditor's report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

14. Lanco Kanpur Highways Limited (LKHL), a subsidiary of the company had entered into concession agreement with NHAI for developing a road project in Uttar Pradesh state under BOOT mechanism. The construction work is delayed due to pending approvals and right of way to be arranged by NHAI. During the previous year LKHL had received notice of termination of concession agreement from NHAI and issued a notice of termination of concession agreement to NHAI. Arbitration proceedings have been initiated to settle the claims and the counter claims associated with the termination as per the Concession Agreement. Based on the expert legal opinion, the management is confident on the recoverability of its claims submitted and is not expecting any liability on counter claims filed by NHAI. This is an emphasis of matter in the audit report for the year ended March 31, 2015 and limited review report for the quarter ended June 30, 2015.

15. The Group has selected the option given in paragraph 46A of the Accounting Standard – 11,"The Effects of Changes in Foreign Exchange Rates" with effect from April 1, 2011. On availment of option, foreign exchange difference remains unamortized as on June 30, 2015 is Rs. 1,761.68 Cr (March 31, 2015 Rs. 1,641.48 Cr).

16. The Group is in the process of applying the note 4 (a) of Schedule II of the Companies Act, 2013 relating to identification of significant parts of the fixed assets with different useful lives. The effect of the same would be taken in the subsequent periods. Management expects that this would not have a material impact on the financial results of the current quarter.

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17. a) In case of Lanco Vidarbha Thermal Power Limited (LVTPL) a step down subsidiary of the company which is developing 1320 MW thermal power project, due to changes in the requirements of Mega project status, which are different from the original project appraisal, approached its lenders for additional funding / additional bank guarantees to deposit with the customs authorities for release of import equipment. The required additional funding / additional bank guarantees were approved by lenders during the quarter. During the interim period of over two years, due to non-availability of required funds and BG facilities LVTPL could not clear goods from port which led to demand of demurrages. The management now initiated the process of finalizing the demurrages amount and submission of bank guarantees for release of goods from the port. Hence no provision is made in the financials. This is an emphasis of matter in the limited review report for the quarter ended June 30, 2015.

b) In case of LVTPL, due to litigation on granted environmental approvals, additional requirements for mega power project status and other factors which are beyond the control of LVTPL, the execution of the project was affected which lead to time & cost overrun. LVTPL approached power purchaser i.e. Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) to extend the Commercial Operation Date (COD), which was not extended. Based on the expert legal opinion LVTPL has terminated the PPA with MSEDCL in the month of September, 2014. LVTPL approached lenders for extension of COD and funding the cost overrun which was approved. The management is confident of tying up of power sale in due course. This is an emphasis of matter in the limited review report for the quarter ended June 30, 2015.

c) During the previous years, MSEDCL had encashed the Bank Guarantee of Rs.51 Cr without prior notice and unilaterally demanded liquidated damages of Rs. 351.90 Cr. Based on the expert legal opinion obtained, the management is confident of getting the refund of encashed Bank Guarantee and reversal of demanded Liquidated Damages. Hence no provision has been made in the books of accounts.

18. a) As reported in the previous quarter the company along with its step down subsidiaries have completed the sale transaction of Udupi Power Corporation Limited (UPCL) on April 20, 2015. Consequently these results do not include the financials of UPCL. The profit arising on account of sale of shares treated as exceptional item amounting to Rs. 115.02 Cr.

b) During the quarter an associate of step down subsidiary and a fellow subsidiary to the company became subsidiaries to the step down subsidiary of the company and accordingly the financials have been consolidated in these results. Consequent to the consolidation a sum of Rs. 70.12 Cr relevant loss related to these subsidiaries (being exceptional expenditure) is treated as an exceptional item.

Consequently the current quarter figures are not comparable with the figures of corresponding quarter of previous year, and the immediately preceding quarter to that extent.

19. Prior period item for the quarter ended June 30, 2015 is the difference between the Audited Financials and Management Financials in one of the step down subsidiaries of the company.

20. Previous periods figures have been regrouped, reclassified and restated to conform to those of the current period.

21. These unaudited results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings.

for **Lanco Infratech Limited**

Place : Gurgaon
Date August 13, 2015

G. Venkatesh Babu
Managing Director