



## Communication on Progress

**Year:** 2009-2010

**Mission**

Development of Society through Entrepreneurship

**Vision**

Most admired Integrated Infrastructure Enterprise

### **Company Profile**

Lanco is one of the fastest growing Integrated Infrastructure Enterprises of India, operating across a synergistic span of verticals comprising Power Generation, Power Trading, Non-Power Infrastructure, Construction, EPC, Property Development and Renewables (Solar & Wind).

Lanco Infratech Ltd's current market capitalisation is approximately Rs.12,000 Crores (USD 2.59 billion), of which about 68 % equity stake is held by its promoters. Its gross revenue as on March 2009 was over Rs. 6,000 Crores (USD 1.3 billion). Lanco is fast emerging as one of the leading private sector power developers in India with 2087 MW under operation, 8468 MW under construction, and 1039 MW of projects under development. Out of the total portfolio of 11594 MW, the Company has achieved financial closure for 4533 MW. Having over two and a half decades of experience in Construction and Civil Engineering, Lanco has created a niche for itself besides building powerful knowledge bank and systems which facilitate continuous adoption and implementation of best practices and technologies. Lanco has strategic global partnership with top-notch companies which include: OHL of Spain, Westports and Genting of Malaysia, Harbin, GE, Dongfang, Doosan etc. Today, Lanco is one of India's largest Power Traders in the private sector.

A people driven organisation, Lanco operates from 20 States in India and has a human resource base of 5500 people. Lanco is also a privileged member of the World Economic

Forum and it has been acknowledged as an elite member of the top two hundred "Global Growth Companies". As part of its business strategy, the Company has evolved Lanco's Vision for 2015: to build a High Performance Organisation with an operating capacity of 15000 MW in Power. Lanco also envisages an aggressive growth plan for the Construction and EPC division to achieve an Annual Turnover of Rs.40,000 Crores (USD 8.64 billion) by201 5.

The year 201 0 is being celebrated as Lanco's Silver Jubilee Year. It has been twenty five years since the Founder Chairman L Rajagopal, taking inspiration from his uncle Lagadapati Amrappa Naidu, began his career as an entrepreneur. Lanco has risen to its present level on the strength of their vision and inspiration and under the leadership of L Madhusudhan Rao, the Chairman of Lanco Group.

### **Subsidiaries**

- Power
- Non- Power Infrastructure
- Construction & EPC
- Renewables
- Property Development

# Lanco Infratech Limited



Friday, May 07, 2010

## Lanco's Commitment in Support of UNGC Programme

Lanco Infratech Limited is one of the fastest growing Integrated Infrastructure Enterprises of India, operating across a synergistic span of verticals comprising Power Generation, Power Trading, Non-Power Infrastructure, Construction, EPC, Property Development and Renewables (Solar & Wind).

Lanco is an environment friendly company in all its activities, products and services besides providing safe and healthy working environment to all its stakeholders. Our Power manufacturing units are accredited to the latest international standards viz. ISO 14001:2004 certification for Environment Management, OHSAS 18001:2007 for Occupational Health and Safety Management Systems.

The company reiterates its commitment to United Nation's Global Compact (GC) Programme and intent to advance GC principles within the company's sphere of influence and has made it part of the strategy, culture and day-to-day operations.

Company publicly advocates with its employees and other stakeholders by regularly incorporating its commitments towards GC programme through Annual Report, Press Conferences and other public documents

Lanco has also taken a lead role in promoting GC principles in other Indian organizations through Global Compact Society (GCS) by organizing case studies/organizational experience sharing, addressing the Global Compact principles in Indian context.

A handwritten signature in black ink, appearing to read "G. Venkatesh Babu".

G Venkatesh Babu  
(Managing Director)



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www.lancogroup.com

**LANCO INFRATECH LIMITED | Sustainability Report 2009-10**  
**UN Global Compact Communication on Progress**

**Global Compact Principle**

**Human rights**

<b>Principles</b>	<b>Commitment/Policies</b>	<b>Action Taken</b>
<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses.</p>	<ul style="list-style-type: none"> <li>● Lanco Group has the following policies in place in support of the Human Rights</li> </ul> <p><b>1. Policy on HIV/AIDS</b> – The purpose of AIDS policy is to reassure employees that AIDS is not spread through casual contact during normal work practices and to reduce unrealistic fears about contracting an AIDS virus related condition. This policy also protects the legal right to work of employees who are diagnosed with an AIDS virus –related condition and provides guidelines for situation where infection with the AIDS virus is suspected. Our policy is to encourage sensitivity to and understanding for employees affected with a condition of the AIDS virus.</p> <p><b>2. Safety policy</b> – Meeting Safety requirements is a demanding Endeavour- At Lanco we institutionalize safety:</p> <ul style="list-style-type: none"> <li>● To create a commitment where ZERO Accident is the goal for every employee on every project</li> <li>● To develop awareness among all the employees for effective use of safety appliances, work permit system, personnel protective equipment. To create and educated, protected and empowered work force through effective participation in</li> </ul>	<ul style="list-style-type: none"> <li>● All the employees have access to the policies through ESOPS.</li> <li>● Lanco Group also developed Value statements to be adhered by every employee.</li> <li>● We are committed to maintaining a healthy work environment by protecting the physical and emotional health and well being of all employees in the workplace. This AIDS policy is a direct outgrowth of those commitments. It provides guidelines for situations when a question as to an aids virus- related condition arises. There are two major points:             <ul style="list-style-type: none"> <li>▪ Employees who are diagnosed with an AIDS virus- related condition may continue to work if they are deemed medically able to work and can meet acceptable performance standards. We will provide reasonable performance standards and accommodate them reasonably if necessary to enable these employees to continue working.</li> </ul> </li> </ul>

	<p>safety training, committees, competitions etc.</p> <ul style="list-style-type: none"> <li>• Preserving all health and well- being of employees and their families through regular health program, pollution free environment at all project sites and neighborhood.</li> <li>• Conduct regular training program on procedures, requirements at project specific orientation, first aid and fire fighting.</li> <li>• Conduct regular safety discussions with project safety committees coordinating and supplementing on specialized topics and updating the existing provisions to reflect new research, trends and legal requirements.</li> <li>• To create confidence in a safety conscious customer by delivering a project without compromising the well being of worker and navigating through legal and statutory requirements.</li> </ul> <p>3. Recruitment policy and procedures 4. Equal opportunity employer policy</p>	<ul style="list-style-type: none"> <li>▪ We provide AIDS education for all employees to help them understand how the AIDS virus is spread and to reduce unrealistic fears of contracting an AIDS virus- related condition.</li> </ul>
	<b>Outcomes</b>	<b>Plans for the Upcoming Year</b>
	<ul style="list-style-type: none"> <li>• Trained 5500 employees of Lanco in 20 locations in India on Corporate Values</li> <li>• Posters against sexual exploitation of women at workplace prepared and displayed in public places within Lanco</li> <li>• Posters against discrimination of persons with disability prepared and displayed in public places within Lanco</li> </ul>	<ul style="list-style-type: none"> <li>• One day event on Dec 16 every year for elderly <ul style="list-style-type: none"> <li>• Plan to develop new posters in the coming year</li> </ul> </li> </ul>

<b>Labour</b>		
<b>Principles</b>	<b>Commitment/Policies</b>	<b>Action Taken</b>
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p><b>Principle 4:</b> Businesses should support the elimination of all forms of forced and compulsory labour.</p> <p><b>Principle 5:</b> Businesses should support the effective abolition of child labour.</p> <p><b>Principle 6:</b> Businesses should support the elimination of discrimination in respect of employment and occupation.</p>	<p>We respect the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO).</p> <p>Lanco does not encourage any forced labour, including child labour. As a policy Lanco does not recruit child labour, below the age of 14.</p> <p>Lanco Group is an equal opportunity employer and no discrimination is shown based on the religion, region, caste, disability and sex.</p>	<ul style="list-style-type: none"> <li>• Posters against employment of child labour prepared and displayed in public places within Lanco</li> </ul>
	<b>Outcomes</b>	<b>Plans for the Upcoming Year</b>
	<ul style="list-style-type: none"> <li>• Displayed 300 posters in 20 locations across all verticals of Lanco</li> </ul>	<ul style="list-style-type: none"> <li>• Policy for elimination of discrimination in respect of employment of Persons with disability to be prepared and followed</li> </ul>
<b>Environment</b>		
<b>Principles</b>	<b>Commitment/Policies</b>	<b>Action Taken</b>

<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.</p> <p><b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p><b>Principle 9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>We recognize that our activities as integrated infrastructure enterprise have an impact on the environment, and prioritize the issue of climate change:</p> <ul style="list-style-type: none"> <li>• Lanco Group has a Environment Policy in place and are committed to achieve satisfaction of interested parties and protect environment by generation of Power by implementing prudent eco-friendly methods; and conservation of natural resources like natural gas and water; complying with all relevant statutory and regulatory requirements; continual improvement in the environmental performance by minimizing the emission, discharges and prevention of pollution; use of environmentally friendly technologies and enhancing environmental awareness among employees, contractors and communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Organized an International Conference on Climate Change</li> </ul>
	<p><b>Outcomes</b></p> <ul style="list-style-type: none"> <li>• Lanco ABAN in Kumbakonam received CSR-Environment award from TERI</li> <li>• Lanco ABAN received Shrishti G-Cube Award for Environment</li> <li>• Lanco ABAN received Silver award in power sector category for outstanding achievement in Safety Management from Greentech Foundation</li> </ul>	<p><b>Plans for the Upcoming Year</b></p> <ul style="list-style-type: none"> <li>• Plantation of 50,000 saplings to be taken up in 10 states through community participation</li> <li>• Encourage neighborhood communities to protect environment by giving Green Awards to villages that ensure tree plantation and protection</li> <li>• Create environmental awareness among communities around the plant areas in 9 states</li> </ul>
<b>Anti-corruption</b>		
<b>Principles</b>	<b>Commitment/Policies</b>	<b>Action Taken</b>

<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p><b>Policy against Bribery</b> - We are committed to compliance with international anti-bribery standards as stated in the Global Compact and local anti-corruption and bribery laws.</p> <p><b>Policy to curb sexual harassment at workplace-</b> Lanco Group is committed to ensure that no employee is subjected to sexual harassment and to this end all steps will be taken to prevent any acts of sexual harassment at the work place. This policy is designed to eradicate all forms of sexual harassment at workplace, to provide a forum for investigation into complaints of sexual harassment and to initiate disciplinary action against those who are found indulging in such acts of misconduct.</p>	<ul style="list-style-type: none"> <li>● Whistle Blower policy introduced across all Lanco verticals</li> <li>● Appointed committees to over see implementation of the policy</li> </ul>
	<p><b>Outcomes</b></p>	<p><b>Plans for the Upcoming Year</b></p>
	<ul style="list-style-type: none"> <li>● Whistle blower policy prepared and widely circulated within Lanco</li> </ul>	<ul style="list-style-type: none"> <li>● One of the core values of Lanco Group, which is INTEGRITY, is given high priority.</li> </ul>

Commitment – a statement of specific commitments.

Systems – a description of policies, programs and management systems used to address each principle.

Actions – a description of practical actions taken during the reporting period.

Performance – a description of the impact of systems and tangible outcomes of actions.



**RESULTS UPDATE**

**Lanco Infratech Limited** (LITL) has announced its consolidated audited financial results for financial year ended March 31, 2009. LITL is engaged in the business of construction and infrastructure development. The Company is also a holding company with investments mainly in its subsidiaries engaged in the business of Power Generation, Power Trading, Property Development and Other Infrastructure Projects.

**Highlights**

**For the Year**

- Gross Revenues **up by 84%** from Rs. 33,365 million to Rs. 61,282 million
- Operating Revenue **up by 87%** from Rs. 32,413 million to Rs 60,720 million
- EBITDA **up by 27%** from Rs. 6,994 million to Rs. 8,874 million
- PAT before elimination of profit on transaction with Subsidiaries and Associates **up by 7%** from Rs. 3,823 million to Rs. 4,093 million
- Reported Profit after Tax **down by 21%** from Rs. 3,542 million to Rs. 2,803 million

**For the Quarter**

- Gross Revenues **up by 55%** from Rs. 13,402 million to Rs. 20,713 million
- Operating Revenue **up by 56%** from Rs. 13,182 million to Rs 20,561 million
- EBITDA **up by 2%** from Rs. 2,981 million to Rs. 3,042 million
- PAT before elimination of profit on transaction with Subsidiaries and Associates down by 17% from Rs. 1,847 million to Rs. 1,518 million
- Reported Profit after Tax down from Rs. 1,688 million to Rs. 899 million

## Management Discussion and Analysis

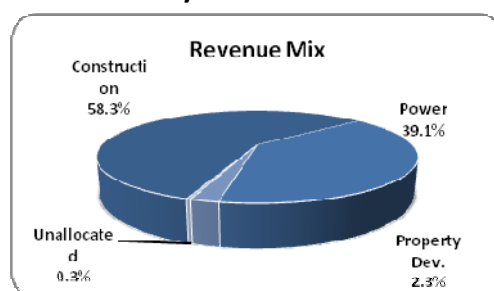
### Revenue Break Up

Rs Million

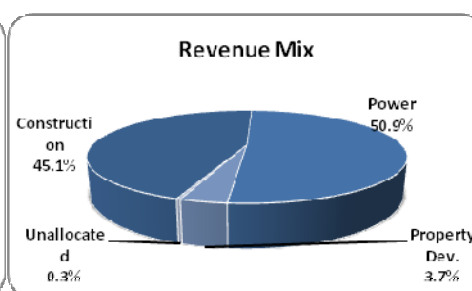
Particulars	3 months ended		Change	Year Ended		Change
	Mar'09	Mar'08	%	Mar'09	Mar'08	%
<b>Segment Revenue</b>						
a) Construction	18,544	6,584	182%	40,512	15,561	160%
b) Power	7,039	6,174	14%	27,149	17,579	54%
c) Property Dev.	179	1,288	-86%	1,574	1,288	22%
d) Unallocated	54	24	124%	231	112	106%
<b>Total</b>	<b>25,816</b>	<b>14,070</b>	<b>83%</b>	<b>69,467</b>	<b>34,541</b>	<b>101%</b>
Less: Inter Segment Revenue	5,255	888	492%	8,747	2,128	311%
<b>Net Sales</b>	<b>20,561</b>	<b>13,182</b>	<b>56%</b>	<b>60,720</b>	<b>32,413</b>	<b>87%</b>

### Revenue Mix:

For year 2008-09



For Year 2007-08



### EBITDA:

Rs Million

	Quarter		Change %	Year		Change %
	Mar'09	Mar'08		Mar'09	Mar'08	
Sales	20,561	13,182	56%	60,720	32,413	87%
Less: Sale on account of Power Trading	2,419	1,921	26%	12,369	6,607	87%
Less: Additional Sales on use of Naphtha	2,880	2,726	6%	7,686	3,377	128%
<b>Adjusted Sales</b>	<b>15,262</b>	<b>8,534</b>	<b>79%</b>	<b>40,664</b>	<b>22,428</b>	<b>81%</b>
EBITDA	3,042	2,981	2%	8,874	6,994	27%
Less: Margin on Power Trading	25	29	-11%	125	115	8%
<b>Adjusted EBITDA</b>	<b>3,016</b>	<b>2,953</b>	<b>2%</b>	<b>8,749</b>	<b>6,879</b>	<b>27%</b>
EBITDA Margin	20%	35%		22%	31%	

### Profit After Tax:

Rs Million

	Quarter		Change %	Year		Change %
	Mar'09	Mar'08		Mar'09	Mar'08	
Reported PAT after Minority and Associate	899	1,688	-47%	2,804	3,542	-21%
Add: Inter Segment Profit on transaction with Subs. & Associates	620	160	288%	1,290	281	358%
Add / (Less): Forex loss / (gain)	246	(208)	-218%	412	(245)	-268%
Profit after tax (before Forex loss / (gain) and elimination of Inter Segment Profit on transaction with Subs. and Associates)	1,764	1,640	8%	4,505	3,578	26%

### Key Balance Sheet figures as on 31<sup>st</sup> March 2009:

The consolidated net worth, Debt and Cash & Bank balances as of 31<sup>st</sup> March 2009 is as follows:

Rs Million

Net Worth	20,976
Loan Funds	55,970
<b>Cash and Cash Equivalents</b>	
Cash and Bank	9,904
Investments in Liquid funds	1,514
<b>Total Cash and Cash Equivalents</b>	<b>11,418</b>

### Financial Performance of various business verticals:

#### Construction and EPC:

Rs Million

	Quarter		Change %	Year		Change %
	Mar'09	Mar'08		Mar'09	Mar'08	
Revenue before inter segment elimination	18,544	6,584	182%	40,512	15,561	160%
EBIT	2,375	1,783	33%	5,445	3,003	81%
EBIT Margin	12.8%	27.1%		13.4%	19.3%	

**Power:**

Rs Million

	Quarter		Change %	Year		Change %
	Mar'09	Mar'08		Mar'09	Mar'08	
<b>Revenue</b>	7,039	6,174	14%	27,149	17,579	54%
Less: Power Trading	2,419	1,921	26%	12,369	6,607	87%
Less: Increase in Sale due to use of Naphtha	2,880	2,726	6%	7,686	3,377	128%
Less: Carbon Credits	62	341	-82%	62	341	-82%
<b>Adjusted Revenue</b>	<b>1,678</b>	<b>1,185</b>	42%	<b>7,031</b>	<b>7,254</b>	-3%
<b>EBIT</b>	1044	638	64%	3,203	3,080	4%
Less: Adj for Power Trading	25	29	-11%	125	115	8%
Less: Adj for Carbon Credit	62	341	-82%	62	341	-82%
<b>Adjusted EBIT Margin</b>	<b>957</b>	<b>268</b>	256%	<b>3016</b>	<b>2624</b>	15%
<b>Adjusted EBIT Margin</b>	<b>57%</b>	<b>23%</b>		<b>43%</b>	<b>36%</b>	

Operational data for the major operating units and trading arm for the year is provided below:

Rs Million

Particulars	Kondapalli			Aban			Lanco Electric Utility		
	368 MW Gas Power Project			120 MW Gas Power Project			Power Trading Company		
	Yr 2008-09	Yr 2007-08	Change %	Yr 2008-09	Yr 2007-08	Change %	Yr 2008-09	Yr 2007-08	Change %
Generation (Mus)	2,350	2,257	4%	849	893	-5%			
PLF (%)	72%	69%		81%	85%				
Net Sales	12,320	8,256	49%	1,950	2,131	-8%	12,369	6,607	87.2%
Profit After Tax	1,376	1,424	-3%	537	713	-24%	53.8	51.8	3.9%
Operating Margin	19%	28%		51%	55%		0.55%	1.10%	
PAT Margin	11%	17%		28%	33%		0.44%	0.78%	

**Note:**

1. Net Sales for Aban for the current year includes Rs. 62 Mn towards sale of Carbon credits against Rs 210 Mn in the Previous Year. Net sale for Kondapalli for the previous year include Rs. 132 Mn towards sale of Carbon credits.
2. Operating margin of the Kondapalli is lower because of use of naphtha as fuel. After the adjustment with respect to Naphtha and Sale of Carbon credits, operating margin for the current year would be 49% against 44% in the previous year.
3. Lanco Electric Utility, traded 2,841 mn units during the current Year against 2,599 mn units in the previous year, registering a growth of 9% in volume.

### Property Development:

Rs Million

	Quarter		Change %	Year		Change %
	Mar'09	Mar'08		Mar'09	Mar'08	
Revenue	179	1,288	-86%	1,574	1,288	22%
EBIT	(214)	442	-148%	91	338	-73%
EBIT Margin	-119%	34%		6%	26%	

The reduction in margin is on account of lower revenue recognition and increase in cost.

Cumulative capex and financing for the Lanco Hills project as on March 31, 2009 are as follows:

Rs Million

	Upto Mar'09
Capital Expenditure	13,737
Debt	10,754
Advances	3,645
Cash and Cash Equivalents	3,450

### Important Developments during the year:

- Vamsi Hydro Energies Private Limited (a subsidiary of LANCO) has successfully commissioned a 5 MW hydro power plant in the month of January'09. This Power plant is located in Kangra District in the state of Himachal Pradesh and is a run of the river scheme on IKU Khad, a tributary of Beas River. Net sales for the plant during the year after the commercial operation was Rs. 2.17 Mn.
- During the Year, Lanco has signed an agreement for sale of its stake in the subsidiaries - Rithwik and Clarion which operate a total capacity of 18 MW of Bio-mass based Power projects. The stake would be bought by M/s AgriGold Projects Limited, Vijayawada.

### Awards and accolades

- ABAN Power Plant has been adjudicated as one of the winners for the 8th TERI Corporate Awards 2009. The TERI Corporate Awards recognize leadership in corporate environmental management, social responsibility and HIV/AIDS initiatives.

- Vamshi Hydro Energies has been awarded with IEEMA Power Award 2009 for “Excellence in Fast Track Commissioning of Small Hydro Projects”.

### Status of Projects under different Verticals

#### Power

Power Projects with a capacity of around 3900 MW are under construction. Major milestones achieved in some of these projects are follows:

- *Amarkantak Unit I - 300 MW*: Synchronization done in May’09 and achieved another milestone before CoD.
- *Amarkantak Unit II - 300 MW*: TG erection and condenser erection is going on and Hydro-testing to happen shortly.
- *Udupi Power project - 1015 MW*: Drum lifting completed and TG erection and condenser erection is going on.
- *Anpara Power - 1200 MW*: Boiler erection has been started and drum lifting to happen shortly.
- *Kondapalli – II - 366 MW*: Gas Turbine generator placed on the foundation.
- *Lanco Green (Budhil) – 70 MW*: Power house draft tube concrete and Pressure shaft excavation complete.
- *Lanco Energy (Teesta) 500 MW* : Slope stabilization, Excavation of main access tunnel, power house cavern and Transformer cavern in progress
- *Vamshi Industrial – 10 MW* : EOT crane commissioned
- *Vamshi Hydro – 5 MW* : HRT face excavation and penstock excavation completed

As of 31<sup>st</sup> March 2009 capital expenditure incurred in power and Road projects and debt utilized for the same are as follows:

Rs Million

	<b>Capex</b>	<b>Debt</b>
Anpara	13,340	8,511
Udupi	29,339	20,672
Amarkantak	25,785	17,555
Lanco Energy – teesta	6,756	3,530
Lanco Green – Budhil	2,451	1,462
Lanco Hydro Energy – Uttranchal	896	-
Kondapalli	5,513	3,347
Vamshi Hydro Energy (Including unit commissioned)	786	440
Vamshi Industrial	790	411
<b>TOTAL POWER PROJECTS</b>	<b>85,656</b>	<b>55,928</b>
Devihalli Road	2,254	1,040
Hoskote Road	3,293	1,430
<b>TOTAL ROAD PROJECTS</b>	<b>5,547</b>	<b>2,470</b>

### Construction and EPC Business (Orders in Hand):

The Construction and EPC order book position as on March 31, 2009 is Rs. 103,167 million as compared to Rs. 130,170 million on March 31, 2008. The break-up of the current order book is as follows:

<b>Projects</b>	<b>Rs Million</b>
<i>Power Projects</i>	
Amarkantak – I & II	2,802
Teesta VI – Sikkim	22,141
Anpara	28,773
Udupi (Nagarjuna)	20,677
Kondapalli Expansion	5,894
Others	4,999
<b>Total Power Projects</b>	<b>85,286</b>
Building Projects	9,233
Road Projects	6,961
Infrastructure Projects	879
Irrigation Projects	632
Transmission Line Projects	175
<b>Total Order Book</b>	<b>103,167</b>