IL&FS | Engineering Services

IL&FS Engineering and Construction Company Limited
CIN - L45201TG1988PLC008624
Registered Office
D.No. 8-2-120/113 Block
B, 1st Fl, Sanali Info Park
Road No 2, Banjara Hills
Hyderabad -500033

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11th Nov-2020

To

The General Manager
BSE Limited
P.J. Towers, Dalal Street,
Mumbai- 400 001

Scrip Code: 532907

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai-400 051

Scrip Code: IL&FSENGG

Dear Sir / Madam,

Sub:- Outcome of the Board Meeting dtd. 11th Nov-2020.

With reference to the Board Meeting notice issued on 5th Nov-2020, we would like to inform you that the Board of Directors of the Company at their meeting held on 11th Nov-2020, have inter aliaapproved the Unaudited Financial both Standalone & Consolidated Results of the Company for the quarter & half year ended **Sept-2020**.

In terms of the above, we are enclosing herewith the following:

1. Unaudited Standalone financial results & consolidated financial results of the Company, its subsidiaries and associate for the quarter & half year ended **Sept-2020** under Ind AS, which have been approved and taken on record at a meeting of the Board of Directors of the Company held today.

2. Limited Review Report pursuant to Regulation 33 of the SEBI (LODR) Regulations, 2015, for Unaudited Financial Results (Consolidated & Standalone) for the quarter & half year ended **Sept-2020** from our Statutory Auditors.

The Board Meeting commenced at 3:00 PM and concluded at 6:30 PM. Request you to

take the same on record and oblige.

Thanking You

Yours faithfully
For **IL&FS Engineering and Construction Company Limited**

(CS. SRINIVASA KIRAN)
Company Secretary & Compliance Officer

Encl: As above.

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Phone-040 40409333; Fax-040 40409444
Website- www.ilfsengg.com; Email- cs@ilfsengg.com
Statement of Unaudited Standalone financial results for the Quarter and Six months ended September 30, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended			Six months ended		Year ended
	30-Sep-20 (Unaudited)	30-Jun-20 (Unaudited)	30-Sep-19 (Unaudited)	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Mar-20 (Audited)
1. Income						
(a) Revenue from operations	6,949	3,333	13,349	10,282	28,933	56,239
(b) Other income	816	501	1,054	1,317	2,254	4,550
Total Income	**7,765**	**3,834**	**14,403**	**11,599**	**31,187**	**60,789**
2. Expenses						
(a) Cost of materials consumed	1,799	926	3,597	2,725	7,728	14,179
(b) Subcontracting expense	3,023	1,542	4,967	4,565	13,058	24,351
(c) Employee benefits expense	1,246	1,254	1,695	2,500	3,592	6,681
(d) Finance cost	384	503	656	887	723	2,611
(e) Depreciation and amortization	519	493	893	1,012	1,627	3,219
(f) Other expenses	3,352	796	2,349	4,148	3,959	10,429
Total expenses	**10,323**	**5,514**	**14,157**	**15,837**	**30,686**	**61,470**
3. Profit / (loss) before Exceptional Items and tax (1-2)	**(2,558)**	**(1,680)**	**246**	**(4,238)**	**501**	**(681)**
4. Exceptional items (net) (Refer note 13)	4,758	-	6,047	4,758	38,426	39,945
5. Profit/(Loss) before tax (3-4)	**(7,316)**	**(1,680)**	**(5,801)**	**(8,996)**	**(37,925)**	**(40,626)**
6. Tax (expense) / credit						
-Current Tax	-	-	-	-	-	-
-Deferred Tax	-	-	-	-	-	-
7. Share of profit in joint ventures accounted for using the equity method						
8. Net Profit /(loss) after Exceptional Items and tax (5+6+7)	**(7,316)**	**(1,680)**	**(5,801)**	**(8,996)**	**(37,925)**	**(40,626)**
9. Other Comprehensive Income/(expense)(net of tax)						-
a) Remeasurements of the defined benefit plan	-	-	-	-	-	-
b) Income tax relating to the items that will not be reclassified to profit or loss	-	-	-	-	-	-
10. Total comprehensive income for the period (8+9)	**(7,316)**	**(1,680)**	**(5,801)**	**(8,996)**	**(37,925)**	**(40,626)**
11. Paid-up equity share capital (Face Value of Shares is Rs. 10/- each)	13,112	13,112	13,112	13,112	13,112	13,112
12. Other equity as shown in the audited balance Sheet of previous year		-				(2,43,756)
13. Earnings per equity share (of Rs . 10/- each) (not annualised):						
a. Basic	(5.58)	(1.28)	(4.42)	(6.86)	(28.92)	(30.98)
b. Diluted	(5.58)	(1.28)	(4.42)	(6.86)	(28.92)	(30.98)
See accompanying notes to the Financial Results						

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Statement of Unaudited Consolidated financial results for the Quarter and Six months ended September 30, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended			Six months ended		Year ended
	30-Sep-20 (Unaudited)	30-Jun-20 (Unaudited)	30-Sep-19 (Unaudited)	30-Sep-20 (Unaudited)	30-Sep-19 (Unaudited)	31-Mar-20 (Audited)
1. Income						
(a) Revenue from operations	6,949	3,333	13,349	10,282	28,933	56,239
(b) Other income	816	501	1,054	1,317	2,254	4,550
Total Income	**7,765**	**3,834**	**14,403**	**11,599**	**31,187**	**60,789**
2. Expenses						
(a) Cost of materials consumed	1,799	926	3,597	2,725	7,728	14,179
(b) Subcontracting expense	3,023	1,542	4,967	4,565	13,058	24,351
(c) Employee benefits expense	1,246	1,254	1,695	2,500	3,592	6,681
(d) Finance cost	384	503	656	887	723	2,611
(e) Depreciation and amortization	519	493	893	1,012	1,627	3,219
(f) Other expenses	3,352	796	2,349	4,148	3,959	10,430
Total expenses	**10,323**	**5,514**	**14,157**	**15,837**	**30,686**	**61,471**
3. Profit / (loss) before Exceptional Items and tax (1-2)	**(2,558)**	**(1,680)**	**245**	**(4,238)**	**501**	**(682)**
4. Exceptional items (net) (Refer note 13)	4,758	-	6,047	4,758	38,426	39,945
5. Profit/(Loss) before tax (3-4)	**(7,316)**	**(1,680)**	**(5,802)**	**(8,996)**	**(37,925)**	**(40,627)**
6. Tax (expense) / credit						
-Current Tax	-	-	-	-	-	-
-Deferred Tax	-	-	-	-	-	-
7. Share of profit in joint ventures accounted for using the equity method	-		138	-	138	121
8. Net Profit /(loss) after Exceptional Items and tax	**(7,316)**	**(1,680)**	**(5,664)**	**(8,996)**	**(37,787)**	**(40,506)**
Attributable to:						
Shareholder of the Company	-			-	-	-
Non controlling interests	-				-	
9. Other Comprehensive Income/(expense)(net of tax)	-					
Attributable to:	-					
Items that will be reclassified to profit or loss	-					
a) Remeasurements of the defined benefit plan	-				-	-
b) Income tax relating to the items that will not be reclassified to profit or loss	-				-	-
Shareholder of the Company	-				-	-
Non controlling interests	-				-	-
10. Total comprehensive income for the period (8+9)	**(7,316)**	**(1,680)**	**(5,664)**	**(8,996)**	**(37,787)**	**(40,506)**
Attributable to:						
Shareholder of the Company	-					-
Non controlling interests	-					-
11. Paid-up equity share capital (Face Value Rs. 10/- each)	13,112	13,112	13,112	13,112	13,112	13,112
12. Other equity as shown in the audited Balance sheet of previous year						(2,44,269)
13. Earnings per equity share (of Rs . 10/- each) (not annualised):						
a. Basic	(5.58)	(1.28)	(4.32)	(6.86)	(28.82)	(30.89)
b. Diluted	(5.58)	(1.28)	(4.32)	(6.86)	(28.82)	(30.89)
See accompanying notes to the Financial Results						

Notes to the unaudited consolidated and standalone financial results for the quarter and six month ended September 30, 2020:

(1) The above unaudited consolidated and standalone financial results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company in their respective meetings held on November 10th 2020 and November 11th 2020.

(2) The Company's business activity falls within a single business segment i.e. Construction and Infrastructure Development, in terms of Ind AS 108 on Operating Segments

(3) These unaudited consolidated and standalone financial results of the Company are prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder.

(4) Investigations etc. by the Regulatory / Investigative Agencies:

During the financial year ended March 31, 2019, pursuant to the proceedings filed by the Union of India under Sections 241 and 242 of the Companies Act, 2013, on account of various grounds, inter alia, (i) mismanagement of public funds by the erstwhile board of directors of Infrastructure Leasing and Financial Services Limited ("IL&FS"); and (ii) affairs of IL&FS being conducted in a manner prejudicial to the public interest, the National Company Law Tribunal, Mumbai bench ("NCLT"), by way of an order dated October 1, 2018, suspended the erstwhile board of directors of IL&FS and re-constituted the same with persons proposed by the Union of India (such reconstituted board, referred to as the "Reconstituted Board") with the powers to supersede the Boards of all entities belonging to the IL&FS Group including this Company.

Simultaneously, various inquiries have been initiated by the Registrar of Companies, Mumbai; Serious Fraud Investigations Office (SFIO); Enforcement Directorate (ED); Securities and Exchange Board of India (SEBI); Reserve Bank of India (RBI) etc. against IL&FS, IL&FS Financial Services Limited (IFIN), IL&FS Transportation Networks India Limited (ITNL) and its ex-directors who were dismissed by NCLT.

As a part of their investigation into the affairs of the Promoter Group, SFIO and ED have been seeking information from the Company on an ongoing basis. Further, as per the directions of the reconstituted board, forensic audit also has been initiated for select entities including this Company. The investigations and forensic audit with respect to the Company are in progress and the Company is fully cooperating with the agencies.

Additionally, the National Company Law Appellate Tribunal, New Delhi (the "NCLAT") has passed an order of moratorium on October 15, 2018 in respect of actions (as set out therein) that cannot be taken against IL&FS and its group companies (including the Company), which includes, amongst others, institution or continuation of suits or any other proceedings by any party or person or bank or company, etc. against 'IL&FS' and its group companies in any Court of Law or Tribunal and any action by any party or person or bank or company, etc. to foreclose, recover or enforce any security interest created in the assets of 'IL&FS' and its group companies. This has been done taking into consideration the nature of the case, larger public interest and economy of the nation, and interest of IL&FS and its group companies. This moratorium has subsequently been modified by the NCLAT order dated January 11, 2019.

Subsequently, the NCLT passed an order dated January 1, 2019 pursuant to an application filed by MCA under Section 130 of the Companies Act, 2013 permitting reopening and recasting of accounts of (a) IL&FS; (b) IFIN and (c) ITNL, for the past 5 financial years (i.e. Financial year 2013 to Financial year 2018), on the ground that there was mismanagement in the affairs of these companies.

While the Company, based on its current understanding, believes that the above would not have a material impact on the unaudited financial results, the implications, if any, arising from the aforesaid developments would be known only after the aforesaid matters are concluded and hence are not determinable at this stage.

Based on the internal assessment and / or legal opinion, the Management is confident that for the abovementioned contingent liabilities, no provision is required to be made as at September 30, 2020.

(5) Going Concern:

The Company has incurred loss of Rs. 8,996 Lakhs during the period ended September 30, 2020 (Year ended March 31, 2020 Rs 40,506 Lakhs). Company's net worth has been fully eroded and the current liabilities exceed its current assets as at the reporting date. There are uncertainties on recovery of gross value of inter corporate deposits/ dues from group companies, dues from customers, etc. A major portion of the existing projects being executed by the Company are nearing completion / or approaching their end of term over next twelve months, which has resulted in significant reduction in the Company's operating revenue. During the previous years, the Company has defaulted on various loans to the lenders of the Company, including borrowings from group entities and the default continues as on reporting date.

The reconstituted Board of Directors of IL&FS filed various status reports to National Company Law Tribunal (NCLT) and in one of such reports, all the group entities of IL&FS have been categorized into Green/Amber/Red entities and the Company was categorized under the Group "Red" implying that the Company is unable to meet its contractual, statutory and debt obligations. The Company is currently not making payments to its Financial Creditors and the Operational Creditors existing prior to the date of reconstitution of Board of Directors of IL&FS. These adverse developments in promoter group entities impacted the operations of the company and also resulted in cancellation/ termination/suspension of certain contracts with customers.

The accompanying consolidated and standalone financial results statements has been prepared on going concern basis based on cumulative impact of certain steps taken by the reconstituted Board and the support received from NCLAT for bringing in a period of calm during the resolution process. Based on this, the business can be predicted to be operative for the following 12 months and there is no threat of liquidation or closure.

Further, the Company is taking following steps for revival and restoration of operations of the Company:

a) The reconstituted board is in the process of finalizing a comprehensive approach to manage the current situation.
b) The Company is in discussions with its lenders to restructure its borrowings and is committed to taking necessary steps to meet its financial commitments to the extent possible.
c) The Reconstituted Board has launched a public process for inviting bids for sale of promoter stake in the Company.

(6) Interest Expense:

In line with the affidavit filed by the Ministry of Corporate Affairs ("MCA") with the Hon'ble NCLAT on May 21, 2019, the cut-off date of October 15, 2018 ("Cut-Off Date") was proposed, on account of inter alia the fact that the Hon'ble NCLAT had passed the Order on October 15, 2018, which inter alia granted certain reliefs to the IL&FS group and also restricted certain coercive actions by the creditors of the IL&FS group. Further, the Hon'ble NCLAT had passed the order on March 12, 2020 that interim order will continue until further orders and cut-off date of October 15, 2018 has been approved for resolution.

In terms of the Resolution Framework Reports, the proposal made is that liabilities relating to the relevant IL&FS Group Entity, including interest, default interest, indemnity claims and additional charges, whether existing at or relating to a period after October 15, 2018 (the Cut-Off Date, as explained in the previous paragraph) should not continue to accrue.

Further, since a Resolution Plan in line with the above orders, is in process, the Company has neither paid nor recognized as interest payable, aggregating to Rs. 16,885 Lakhs (for the year March 31, 2020, Rs 28,951 Lakhs) approximately (Excluding penal interest etc.) for six months period ended September 30, 2020, in anticipation of the approval of lenders for concession/waivers being sought by Company in the resolution plan. Such interest has not been recognized as payable as at September 30, 2020 aggregates to Rs 60,334 Lakhs (As at March 31, 2020, Rs 43,450 lakhs) approximately (excluding penal interest etc.). However, in continuation to previous year, Statutory Auditors of the Company have qualified this matter in their limited review reports for the quarter and six months ended September 30, 2020.

(7) Deferred Tax: amounting to Rs. 24,299 Lakhs as at September 30, 2020 (Rs. 24,299 Lakhs as at March 31, 2020), recognized by the Company in earlier years. The same is being retained as the Company is in the process of finalizing resolution plan which if approved and implemented is likely to generate enough profits in subsequent years which can set-off deferred tax asset.

(8) Advances to vendor:

During the financial year ended March 31, 2019, the erstwhile management of the Company has paid an amount of Rs. 6,500 Lakhs to a vendor as material supply advance against a purchase order for supply of cement within a period of two months from the date of issue of the said purchase order. For the said advance, the vendor had issued postdated cheques and personal guarantee of its promoter as security. Subsequently, the vendor has neither supplied the cement nor refunded the advances paid. Postdated cheques issued by the vendor were bounced when presented to the Bank. The Company has initiated legal proceedings against the vendor and its promoters. The management has, after considering the financial inability of the vendor, made a provision against said advances in same financial year ended March 31, 2019.

The transactions carried out by the Company are found to be done at the behest of a Group Company, which was funded by way of cash flow from two other Group Companies.

The Audit Committee of the Company is of the opinion that the complete circle of the transaction originated from a Group Entity and ended with the same Group Entity. The Committee felt that the transaction was a case of fraud instituted by the Group Entity in collusion with certain erstwhile Director of the Company and another Group Entity.

The Company has referred the matter to Ministry of Corporate Affairs (MCA) to initiate investigation. Also, the Company has written to the said Group Entity and demanded that the –said receivables of the Company should be transferred by way of an assignment back to the same Group Entity as a set-off against the loans payable to that Group Entity.

(9) Trade receivables and Retention Money:

a) Trade Receivables as at September 30, 2020 include:
(i) Dues from terminated / foreclosed /completed/ inactive projects, Rs 6,027 Lakhs. Management initiated discussion for recovery of the billed revenue up to the date of termination / foreclosure of the contracts. The respective customers have indicated based on a mutual evaluation of the contract, project dues (billed and unbilled) till the date of termination shall be paid to the Company. Accordingly, the Company considered these receivables as realizable.

(ii) Receivables from promoter group entities, Rs 3,354 Lakhs for which the Company obtained certifications for the works done / bills raised. No provisioning has been made for the said receivables as at September 30, 2020. Adjustments, if any, that may arise on ultimate realization will be made in the year in which the settlement is concluded.

b) Retention money as at September 30, 2020: Rs 12,350 Lakhs (including relating to terminated/foreclosed projects), can be received by the Company, primarily after completion of Defective Liability Period (DLP). As at September 30, 2020, the Company has not received any claims under defective liability clause and is confident of recovery of the carrying value of the same.

c) Contract assets (project work in Progress) include:

(i) Rs 36,021 Lakhs (net of mobilization advance and interest payable on mobilization advance), including interest, trade receivable and retention money recognized in earlier years thereon represents amounts receivable from a customer as per the arbitration award in favor of the Company. The customer has referred the matter further to High Court of Delhi, pending final disposal, no adjustments have been carried out in this regard.

(ii) Rs. 11,795 Lakh, represents recoverable from the respective customers from terminated / foreclosed / completed/ inactive projects. The respective customers have indicated based on a mutual evaluation of the contract, project dues (unbilled) till the date of termination shall be paid to the Company. Accordingly, the Company has considered and retained the said amounts as realizable.

(iii) Amounts receivable from Group Company, Rs. 12,500 Lakhs, recognized based on the acknowledgment by said Company. Adjustments, if any, that may arise on ultimate realization will be made in the year in which the settlement is concluded.

(10) Confirmations of balances relating to borrowings:
As at September 30, 2020, fund based borrowings availed by the Company aggregates to Rs 262,940 Lakhs. These include borrowings from group entities, aggregating to Rs 204,701 Lakhs. The Company neither serviced principal amounts and /or interest payments, wherever applicable. Further, Borrowings to the extent of Rs. 2,17,460 Lakhs were not conformed by respective lenders. Adjustments to principal and interest, if any, will be recognized in the period of final settlement.

(11) Default in redemption of preference shares and dividend thereon:

In the earlier years, the Company has issued 37,50,000, 6% optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs 100 each, aggregating to Rs 3750 Lakhs were outstanding as on September 30, 2019. All these OCCRPS were purchased by ILFS Trust Company Limited (ITCL), now Vistara ITCL India Limited, being the trustee of Maytas Investment Trust. As per various agreements/extensions, all these OCCRPS were due for redemption as on September 30, 2019. The Company defaulted in the repayment of these OCCRPS. Further, the Company has also defaulted in repayment of dividend of Rs 1,579 Lakhs. Dividend payable defaulted in the books as on March 31, 2019, Rs 1,579 Lakhs.

(12) The Company has receivables from the ultimate investee entities in the form of investments, loans and advances and interest accrued on the loans and advances aggregating to Rs. 13,305 Lakhs. The Company is confident of recovery of the carrying value of investments, loans and advances and interest accrued on the loans and advances from the investee entities.

(13) The SARS –CoV-2 virus responsible for Covid - 19 continues to spread across the globe and India, which has contributed to a significant decline in global and local economic activities. The company has made an internal assessment of impact of Covid-19 pandemic on company's operation and made a provision of Rs. 4,738 Lakhs for the period ended September 30,2020. This has been shown as an exceptional item in the statement of profit and loss for the said period.

(14) Statutory Auditors of the Company have qualified in their audit reports with regards to matters stated in paragraphs 6 and 7 above and drawn emphasis of matter with respect to matters stated in paragraphs 4, 5, 8, 9,10,11, 12 and 13 above.

(15) These consolidated and standalone financial results will be made available on the Company's Website viz., www.ilfsengg.com and websites of BSE Limited and National Stock Exchange of India Limited viz., www.bseindia.com and www.nseindia.com respectively.

By Order of the Board

For **IL&FS Engineering and Construction Company Limited**

Dilip Lalchand Bhatia
Digitally signed by Dilip Lalchand Bhatia
Date: 2020.11.11 17:58:59 +05'30'

Bijay Kumar
Director
DIN: 07262627

Dilip Lalchand Bhatia
Director
DIN: 01825694

KHAN KAZIM RAZA
Digitally signed by KHAN KAZIM RAZA
Date: 2020.11.11 16:56:52 +05'30'

Kazim Raza Khan
Chief Executive Officer

Place: Mumabi
Date: November 11, 2020

Naveen Kumar Agrawal

Naveen Kumar Agrawal
Chief Financial Officer

Place: Hyderabad
Date: November 11, 2020

M.BHASKARA RAO & CO.
CHARTERED ACCOUNTANTS
PHONES: 23311245,23393900
FAX: 040 – 23399248

5-D, FIFTH FLOOR, "KAUTILYA",
6-3-652, SOMAJIGUDA,
HYDERABAD-500 082. INDIA.
e-mail: mbr_co@mbrc.co.in

Independent Auditor's Review Report on statement of Unaudited Standalone Financial Results of IL&FS Engineering and Construction Company Limited for the quarter and six months ended September 30, 2020
Pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors of
IL&FS Engineering and Construction Company Limited

1. We have reviewed the accompanying statement of unaudited standalone financial results of IL&FS Engineering and Construction Company Limited ('the Company') for the quarter and six months ended September 30, 2020, ('the Statement'), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ('Listing Regulations').

2. This Statement which is the responsibility of the Company's Management and approved by the Board of Directors of the Company on November 11, 2020, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 ("Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.

3. We conducted our review of the Statement 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 of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion:

We draw attention to the following notes to the statement:

4. Note 6 relating to non-recognition of interest expense by the Company on the outstanding borrowings of the Company for the reasons stated in the said note:
    a. for the three months period ended on September 30, 2020 Rs. 8,442 Lakhs (approximately excluding penal interest, etc.) (Rs. 8,442 Lakhs for three months period ended on June 30, 2020 and Rs. 7,345 Lakhs for three months period ended on September 30, 2019) and
    b. for the six months period ended on September 30, 2020 amounting to Rs. 16,885 Lakhs (approximately excluding penal interest, etc.) (Rs. 14,698 for six months period

ended on September 30, 2019 and Rs. 28,951 Lakhs for the year ended on March 31, 2020).

c. Consequently, interest expense, and loss for the three months period and the six months period ended on September 30, 2020 are understated by Rs. 8,442 Lakhs and Rs. 16,885 Lakhs respectively. Interest expense and loss for the three months period ended on June 30, 2020 is understated by Rs. 8,442 Lakhs; and

d. interest payable as at September 30, 2020 is understated by Rs. 60,334 Lakhs (as at March 31, 2020 Rs. 43,450 Lakhs).

5. Note 7 regarding deferred tax assets amounting to Rs. 24,299 Lakhs represents amounts recognised by the Company in earlier years. Considering the material uncertainty related to going concern that exists in the Company, the threshold of reasonable certainty for recognising the deferred tax assets as per Ind AS 12- Income Taxes has not been met. Consequently, deferred tax assets are overstated by Rs. 24,299 Lakhs.

Consequent to the matters stated at paragraph 4 and 5 above, retained earnings (accumulated loss) as at September 30 2020 is under stated by Rs. 84,634 Lakhs (as at September 30, 2019 Rs. 53,496 Lakhs and as at March 31, 2020 Rs. 67,749 Lakhs). Interest and Interest payable amounts are approximate and excluding penal interest, etc.

Material uncertainty related to going Concern:

6. Attention is invited to Note 5 regarding a significant reduction in the Company's income from operations, absence of new business orders, management's expectation of Company's inability to meet its obligations over the next 18 months out of its earnings and liquid assets. The Company's management represented to us that they are currently in discussion with the lenders for carrying out a debt restructuring proposal. These events and conditions indicate a material uncertainty which cast a significant doubt on the Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities including potential liabilities in the normal course of business. The ability of the Company to continue as a going concern is solely dependent on the acceptance of the debt restructuring proposal / finalisation and approval of the resolution plan, which is not wholly within the control of the Company.

   The Management of the Company has prepared these financial results on going concern basis based on their assessment of the successful outcome of the restructuring proposal / finalisation and approval of the resolution plan.

   Our opinion is not modified in respect of this matter.

Emphasis of Matter:

We draw attention to the following notes to the financial results:

7. Note 4 regarding ongoing investigations by Serious Fraud Investigation Office of Ministry of Company Affairs (SFIO), Enforcement Directorate (ED) and other regulators / agencies against Infrastructure Leasing & Financial Services Limited ('IL&FS' or 'the Holding Company'), and some of its subsidiaries (including the Company). The financial statements of the Company for the period ended September 30, 2020 do not include adjustments, if any, that may arise on account of the ongoing investigations by the investigating and other agencies and Regulatory Authorities,

as the management, at this juncture, cannot foresee any adjustments to be made in these financial statements of the Company as a result of any such investigations.

8. Note 9 regarding recoverability of trade receivables, retention money and contract assets (Project work in progress) from the terminated / foreclosed /completed/inactive projects, amounting to Rs 9,513 Lakhs, Rs 13,779 Lakhs and Rs 70,353 Lakhs (including interest accrued for project under arbitration, Rs 19,881 Lakhs) respectively. Based on its internal assessment, no adjustments have been made in the carrying value of the receivables / contract assets/ retention money.

9. Note 10 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 2,17,460 Lakhs and for the carrying value of advances to and payables to vendors for supply of materials or services including borrowings from group entities. The Company neither serviced principal amounts and /or interest payments, wherever applicable. These borrowings were not confirmed by respective lenders.

10. Note 12 which includes carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 13,305 Lakhs. Based on its internal assessment, no adjustments have been made by the company in the carrying value of the loans and advances including interest accrued on such loans.

The ultimate outcome of the matters stated above in Note 7, 8 , 9 and 10 cannot be presently determined, pending approvals, acceptances, legal interpretations, conclusion of legal proceedings, favourable settlement of claims, ultimate realisations, waivers by lenders, etc. as referred to in the relevant notes to the accompanying standalone financial statements referred above, accordingly no adjustment has been made in the carrying value of the aforesaid assets or liabilities.

11. Note 13 regarding exceptional item based on review / assessment carried out by the management in respect of Covid-19 impact.

12. Note 11 regarding default in redemption of optionally convertible cumulative redeemable preference shares (OCCRPS) and dividend thereon. These OCCRPS were due for redemption as on September 30,2019 and the Company defaulted in repayment of preference shares and dividend thereon, Rs 3,975 Lakhs and Rs 1,579 Lakhs respectively.

13. Note 8 regarding advance of Rs. 6,500 lakhs given to one vendor for purchase of cement, during 2018-19. The management of the Company felt that the transaction was a case of fraud instituted by the Group Entity in collusion with certain erstwhile Director/(s) of the Company and another Group Entity. The Company has referred the matter to Ministry of Corporate Affairs (MCA) to initiate investigation. Also, the Company has written to the said Group Entity and demanded that the said receivables of the Company should be transferred by way of an assignment back to the same Group Entity as a set-off against the loans payable to that Group Entity.

Our Conclusion is not modified in respect of matters stated in paras 7 to 13.

Qualified Conclusion

Based on our review conducted and procedures performed as stated in paragraph 3 above, except for the possible effects, in respect of the matters described in Paras 4 to 5 under Basis for Qualified Conclusion, and read with Material uncertainty relating to the Going Concern and the matters in Paras 6 to 13 under Emphasis of Matter paragraph above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

for **M. Bhaskara Rao & Co.,**
Chartered Accountants
Firm Registration No.000459S

KESAVAMURALID HAR VADAKATTU Digitally signed by KESAVAMURALIDHAR VADAKATTU Date: 2020.11.11 17:54:07 +05'30'

V K Muralidhar
Partner
Membership No.201570
UDIN: 20201570AAAAIM8530

November 11, 2020, Hyderabad

M.BHASKARA RAO & CO.
CHARTERED ACCOUNTANTS
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Independent Auditor's Review Report on Unaudited Consolidated Financial Results of IL&FS Engineering and Construction Company Limited for the quarter and six months ended September 30, 2020

Pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors of
IL&FS Engineering and Construction Company Limited

1. We have reviewed the accompanying statement of unaudited consolidated financial results of IL&FS Engineering and Construction Company Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") for the quarter and six months ended September 30, 2020 ('the Statement'), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ('Listing Regulations').

2. This Statement which is the responsibility of the Group's Management and approved by the Board of Directors of the Holding Company on November 11, 2020, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 ("Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.

3. We conducted our review of the Statement 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 of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion:
We draw attention to the following notes to the statement:

4. Note 6 relating to non-recognition of interest expense by the Company
    a. for the three months period ended on September 30, 2020 Rs. 8,442 Lakhs (approximately excluding penal interest etc.) (Rs . 8,442 Lakhs for three months period ended on June 30, 2020 and Rs. 7,345 Lakhs for three months period ended on September 30, 2019) and
    b. for the six months period ended on September 30, 2020 amounting to Rs. 16,885 Lakhs (approximately excluding penal interest, etc.) (Rs. 14,698 for six months period ended on September 30, 2019 and Rs. 28,951 Lakhs for the year ended on March 31,

2020) on the outstanding borrowings of the Company for the reasons stated in the said note.

c. Consequently, interest expense, and loss for the three months period and the six months period ended on September 30, 2020 are understated by Rs. 8,422 Lakhs and Rs. 16,885 Lakhs respectively. Interest expense and loss for the three months period ended on June 30, 2020 is understated by Rs. 8,422 Lakhs; and

d. interest payable as at September 30, 2020 is understated by Rs. 60,334 Lakhs (as at March 31, 2020 Rs. 43,450 Lakhs).

5. Note 7 regarding deferred tax assets amounting to Rs. 24,299 Lakhs represents amounts recognised by the Company in earlier years. Considering the material uncertainty related to going concern that exists in the Company, the threshold of reasonable certainty for recognising the deferred tax assets as per Ind AS 12- Income Taxes has not been met. Consequently, deferred tax assets are overstated by Rs. 24,299 Lakhs.

   Consequent to the matters stated at paragraph 4 and 5 above, retained earnings (accumulated loss) as at September 30 2020 is under stated by Rs. 84,634 Lakhs (as at September 30, 2019 Rs. 53,496 Lakhs and as at March 31, 2020 Rs. 67,749 Lakhs). Interest and Interest payable amounts are excluding penal interest, etc.

6. Regarding non consolidation of one foreign subsidiary which has ceased its operations for a period exceeding three years. We are unable to comment on the impact, if any, on the financial results for the respective periods in the absence of the financial information of the said foreign subsidiary.

Material uncertainty related to going Concern:

7. Attention is invited to Note 5 to financial results, regarding a significant reduction in the Company's income from operations, in the absence of new business orders, management's expectation of Company's inability to meet its obligations over the next 12 months out of its earnings and liquid assets. The Company's management represented to us that they are currently in discussion with the lenders for carrying out a debt restructuring proposal. These events and conditions indicate a material uncertainty which cast a significant doubt on the Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities including potential liabilities in the normal course of business. The ability of the Company to continue as a going concern is solely dependent on the acceptance of the debt restructuring proposal / finalisation and approval of the resolution plan, which is not wholly within the control of the Company.

   The Management of the Company has prepared these consolidated financial results on going concern basis based on their assessment of the successful outcome of the restructuring proposal / finalisation and approval of the resolution plan.

   Our opinion is not modified in respect of this matter

Emphasis of Matter:

We draw attention to the following notes to the consolidated financial results:

8. Note 4 regarding ongoing investigations by Serious Fraud Investigation Office of Ministry of Company Affairs (SFIO), Enforcement Directorate (ED) and other regulators / agencies against

Infrastructure Leasing & Financial Services Limited ('IL&FS' or 'the Holding Company'), and its subsidiaries (including the Company). The National Company Law Tribunal (NCLT) has issued an Order to re-open books of accounts of IL&FS and its two subsidiaries (other than this Company) for the past financial years. The financial statements of the Company for the period ended September 30, 2020 do not include adjustments, if any, that may arise on account of the ongoing investigations by the investigating and other agencies and Regulatory Authorities, as the management, at this juncture, cannot foresee any adjustments to be made in these financial statements of the Company as a result of any such investigations.

9. Note 9 regarding recoverability of trade receivables, retention money and contract assets (Project work in progress) from the terminated / foreclosed /completed/inactive projects, amounting to Rs 9,513 Lakhs, Rs 13,779 Lakhs and Rs 70,353 Lakhs (including interest accrued for project under arbitration, Rs 19,881 Lakhs) respectively. Based on its internal assessment, no adjustments have been made in the carrying value of the receivables / contract assets/ retention money.

10. Note 10 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 2,17,460 Lakhs and for the carrying value of advances to and payables to vendors for supply of materials or services including borrowings from group entities. The Company neither serviced principal amounts and /or interest payments, wherever applicable. These borrowings were not confirmed by respective lenders.

11. Note 12 which includes carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 13,305 Lakhs. Based on its internal assessment, no adjustments have been made by the company in the carrying value of the loans and advances including interest accrued on such loans.

The ultimate outcome of the matters stated in Note 8, 9, 10 and 11 above, cannot be presently determined, pending approvals, acceptances, legal interpretations, conclusion of legal proceedings, achievements of traffic projections, favourable settlement of claims and ultimate realisations, waivers by lenders, etc. as referred to in the relevant notes to the accompanying standalone financial statements referred above, accordingly no adjustment has been made in the carrying value of the aforesaid assets.

12. Note 13 regarding exceptional item based on review / assessment carried out by the management in respect of Covid-19 impact.

13. Note 11 regarding default in redemption of optionally convertible cumulative redeemable preference shares (OCCRPS) and dividend thereon. These OCCRPS were due for redemption as on September 30,2019 and the Company defaulted in repayment of preference shares and dividend thereon, Rs 3,975 Lakhs and Rs 1,579 Lakhs respectively.

14. Note 8 regarding advance of Rs. 6,500 lakhs given to one vendor for purchase of cement, during the previous year. The management of the Company felt that the transaction was a case of fraud instituted by the Group Entity in collusion with certain erstwhile Director/(s) of the Company and another Group Entity. The Company has referred the matter to Ministry of Corporate Affairs (MCA) to initiate investigation. Also, the Company has written to the said Group Entity and demanded that the said receivables of the Company should be transferred by way of an assignment back to the same Group Entity as a set-off against the loans payable to that Group Entity.

Our opinion is not modified in respect of matters stated in paras 8 to 14.

Qualified Conclusion

Based on our review conducted and procedures performed as stated in paragraph 3 above, except for the possible effects, in respect of the matters described in Paras 4 to 6 under Basis for Qualified Conclusion, and read with Material uncertainty relating to the Going Concern and the matters in Paras 7 to 14 under Emphasis of Matter paragraph above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

for **M. Bhaskara Rao & Co.,**
Chartered Accountants
Firm Registration No.000459S

KESAVAMURALIDHAR VADAKATTU
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Date: 2020.11.11 17:55:05 +05'30'

V K Muralidhar
Partner
Membership No.201570
UDIN: 20201570AAAAIN6348

November 11, 2020, Hyderabad

IL&FS Engineering and Construction Company Limited
CIN: L45201TG1988PLC008624
Regd. Office : D No 8-2-120/113,Block B 1st Floor, Sanali Info Park, Road No 2 , Banjara Hills, Hyderabad - 500033
Phone-040 40409333; Fax-040 40409444
Website- www.ilfsengg.com; Email- cs@ilfsengg.com

Standalone and Consolidated Statement of assets and liabilities as at September 30, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Standalone as at		Consolidated as at	
	30-Sep-20 (unaudited)	31-Mar-20 (audited)	30-Sep-20 (unaudited)	31-Mar-20 (audited)
ASSETS				
Non-current assets				
(a) Property, Plant and Equipment	7,859	8,822	7,859	8,822
(b) Right-of-use-assets	60	94	60	94
(c) Other Intangible assets	1	1	1	1
(d) Financial Assets				
(i) Investments	3,769	3,607	3,890	3,728
(ii) Trade receivables	3,148	1,349	3,148	1,349
(iii) Loans	2,398	2,651	2,398	2,651
(iv) Others financial assets	28,226	28,152	28,226	28,152
(e) Deferred tax assets (net)	24,299	24,299	24,299	24,299
(f) Non-current tax assets (Net)	5,134	8,041	5,134	8,041
(g) Other non-current assets	1,05,220	72,551	1,05,220	72,551
	1,80,114	**1,49,566**	**1,80,235**	**1,49,687**
Current assets				
(a) Inventories	4,871	5,222	4,871	5,222
(b) Financial Assets			-	
(i) Trade receivables	19,077	20,639	19,077	20,639
(ii) Cash and cash equivalents	7,635	6,693	7,638	6,696
(iii) Bank balances other than (ii) above	20,375	19,384	20,375	19,384
(iv) Loans	1,348	1,107	1,348	1,107
(v) Others financial assets	1,281	1,516	1,281	1,516
(c) Current tax assets (Net)	3,117	3,117	3,117	3,117
(d) Other current assets	42,734	79,446	42,734	79,446
	1,00,438	**1,37,124**	**1,00,441**	**1,37,127**
Total Assets	**2,80,552**	**2,86,691**	**2,80,676**	**2,86,815**
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	13,112	13,112	13,112	13,112
(b) Other Equity	(2,52,752)	(2,43,756)	(2,53,265)	(2,44,269)
LIABILITIES				
Non-current liabilities				
(a) Financial Liabilities				
(i) Lease Liability	62	29	62	29
(ii) Borrowings	-	-	-	-
(iii) Trade payables			-	
Dues to micro and small enterprises	-	-	-	
Dues to other than micro and small enterprises	21,004	20,707	21,004	20,707
(iv) Other financial liabilities	11,490	5,543	11,490	5,543
(b) Provisions	8,712	3,954	8,712	3,954
	41,268	**30,233**	**41,268**	**30,233**
Current liabilities				
(a) Financial Liabilities				
(i) Lease Liability	-	57	-	57
(ii) Borrowings	65,468	65,669	65,468	65,669
(iii) Trade payables			-	
Dues to micro and small enterprises	576	576	576	576
Dues to other than micro and small enterprises	73,459	75,566	74,097	76,204
(iv) Other financial liabilities	3,03,775	3,09,361	3,03,774	3,09,360
(b) Provisions	7,194	7,374	7,194	7,374
(c) Other current liabilities	28,452	28,498	28,452	28,498
	4,78,923	**4,87,101**	**4,79,560**	**4,87,738**
Total Equity and Liabilities	**2,80,552**	**2,86,691**	**2,80,675**	**2,86,815**

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KHAN KAZIM RAZA — Digitally signed by KHAN KAZIM RAZA Date: 2020.11.11 16:57:26 +05'30'

Naveen Kumar Agrawal

IL&FS Engineering and Construction Company Limited
CIN: L45201TG1988PLC008624
Regd. Office : D No 8-2-120/113,Block B 1st Floor, Sanali Info Park, Road No 2 , Banjara Hills, Hyderabad - 500033
Phone-040 40409333; Fax-040 40409444
Website- www.ilfsengg.com; Email- cs@ilfsengg.com
Statement of Standalone and Consolidated Cash flow Statement for Six months ended September 30, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Standalone as at		Consolidated as at	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
A. Cash flow from operating activities				
Profit/(Loss) before tax	(8,996)	(37,925)	(8,996)	(37,925)
Adjustment: Non cash adjustments to reconcile profit/(loss) before tax to net cash flows				
Liabilities no longer required written back	-	(418)	-	(418)
(Reversal) / provision for estimated future loss on projects	(183)	(503)	(183)	(503)
(Reversal) / provision for retirement benefits	-	7	-	7
Depreciation and amortization expense	1,012	1,627	1,012	1,627
Stocks written-off	-	1,288	-	1,288
Contract Assets provision/ written off	-	148	-	148
Intangible Assets and CWIP/ provision/ written off	-	77	-	77
Inter Corporate Assets written off	-	32,378	-	32,378
Loans and Other assets provision/ written off	-	4,092	-	4,092
Interest income from financial assets carried at amortised cost	(4)	-	(4)	-
Interest expense from financial liabilities carried at amortised cost	162	-	162	-
Interest expense	887	723	887	723
Interest income	(1,136)	(1,330)	(1,136)	(1,330)
Operating profit before working capital changes	**(8,259)**	**164**	**(8,259)**	**164**
Movement in working capital adjustments				
(Increase) / decrease in inventories	351	2,274	351	2,274
(Increase) / decrease in trade receivables	(236)	789	(236)	789
(Increase) / decrease in loans	12	(319)	12	(319)
(Increase) / decrease in other financial assets	165	7,745	165	7,745
(Increase) / decrease in other non financial assets	4,038	59	4,037	59
Increase / (decrease) in provision	4,760	0	4,760	0
Increase / (decrease) in trade payables	(1,819)	1,091	(1,818)	1,090
Increase / (decrease) in other financial liabilities	176	(724)	176	(724)
Increase / (decrease) in other liabilities	(46)	2,441	(46)	2,441
Cash (used in) / flow from operating activities	**-858**	**13,519**	**-858**	**13,518**
Income tax (refund) / paid (net)	2,907	2,277	2,907	2,277
Net cash (used in) / flow from operating activities (A)	**2,049**	**15,796**	**2,049**	**15,795**
B. Cash flows from investing activities				
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital	-	100	-	100
Company's share of profit in the joint ventures received	-	-	-	138
Proceeds from JV	(162)	-	(162)	
Refund of advances from subsidiaries /joint ventures/associate		2,539	-	2,402
(Deposit) / proceeds from bank deposits (having original maturity of more than three months)	(991)	(18,000)	(991)	(18,000)
Interest received	1,136	1,330	1,136	1,330
Net cash (used in) / flow from investing activities (B)	**(17)**	**(14,031)**	**(17)**	**(14,030)**
Cash flow from financing activities				
Proceeds/Repayment from long-term borrowings (net)	-	(416)	-	(416)
Proceeds/Repayment from short-term borrowings (net)	(201)	(644)	(201)	(644)
Interest paid	(887)	258	(887)	258
Net cash flow from / (used in) financing activities (C)	**(1,088)**	**(802)**	**(1,088)**	**(802)**
Net increase (decrease) in cash and cash equivalents (A + B + C)	943	963	943	963
Cash and cash equivalents at the beginning of the period	6,693	1,549	6,696	1,552
Cash and cash equivalents at the end of the period (Refer below for break-up)	**7,636**	**2,512**	**7,639**	**2,515**
Components of Cash and cash equivalents				
Cash on hand	8	14	8	17
With banks - on current accounts	7,627	2,498	7,630	2,498
Deposits with original maturity for less than 3 months	-	-	-	-
Total cash and cash equivalents	**7,635**	**2,512**	**7,638**	**2,515**