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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03rd Sept-2020

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

Scrip Code: **532907**

National Stock Exchange of India Ltd.
"Exchange Plaza" Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051

Symbol: **IL&FSENGG**

Dear Sir/Madam,

Sub: Outcome of the Board Meeting held on September 03, 2020.

With reference to the subject cited, kindly be informed that the Board of Directors at their meeting held on September 03, 2020 commenced at 11:00 AM and concluded at 2:20 PM inter alia discussed and approved the following.

1. Approved the audited standalone and consolidated financial statements for the quarter and financial year ended March 31, 2020. (Appendix -1)
2. Took note of the Statutory Auditors Report forming part of the audited standalone and consolidated financial statements for the quarter and financial year ended March 31, 2020. (Appendix-2)
3. Approved appointment of M/s. T.S.Chadha & Co LLP., as Internal Auditors of the Company for FY 2020-21.
4. Approved appointment of M/s. RPR & Associates, Hyderabad as Secretarial Auditors of the Company for FY 2020-21
5. Declaration pertaining to modified opinion on the statutory auditors' report issued by the statutory auditors. (Appendix-3)
6. To convene the 31st Annual General Meeting of the Members of Company on Wednesday, September 30, 2020 at 1.30 P.M through Video Conferencing (VC)/Other Audio-Visual Means (OAVM).
7. Book closure for the purpose of 31st Annual General Meeting will be from Wednesday, September 23, 2020 to Tuesday, September 29, 2020 (both days inclusive).
8. Approved appointment of Mr. Y Ravi Prasada Reddy, Practicing Company Secretary, as a scrutinizer for conducting e-voting in the ensuring Annual General Meeting.

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: a/a

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Statement of Audited Standalone financial results for the Quarter and year ended March 31, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended			Year ended	
	31-Mar-20	31-Dec-19	31-Mar-19	31-Mar-20	31-Mar-19
	(Audited) (Refer note 17)	(Unaudited)	(Audited) (Refer note 17)	(Audited)	(Audited)
1. Income					
(a) Revenue from operations	17,698	9,608	19,048	56,239	1,23,914
(b) Other income	1,346	950	86	4,550	2,208
Total Income	**19,044**	**10,558**	**19,134**	**60,789**	**1,26,122**
2. Expenses					
(a) Cost of materials consumed	4,584	1,867	2,916	14,179	43,778
(b) Subcontracting expense	5,129	6,164	9,989	24,351	49,282
(c) Employee benefits expense	1,814	1,275	2,777	6,681	14,284
(d) Finance cost	1,740	147	5,007	2,611	29,018
(e) Depreciation and amortization	858	734	804	3,219	3,675
(f) Other expenses	4,740	1,731	8,727	10,429	24,745
Total expenses	**18,865**	**11,918**	**30,220**	**61,470**	**1,64,782**
3. Profit / (loss) before Exceptional Items and tax (1-2)	**179**	**(1,360)**	**(11,086)**	**(681)**	**(38,660)**
4. Exceptional items (net) (Refer note 13)	1,519	-	-	**39,945**	**1,64,042**
5. Profit/(Loss) before tax (3-4)	**(1,341)**	**(1,360)**	**(11,086)**	**(40,626)**	**(2,02,702)**
6. Tax (expense) / credit					
-Current Tax	-	-	-	-	-
-Deferred Tax	-	-	(1,044)	-	(1,044)
7. Share of profit in joint ventures accounted for using the equity method			46		101
8. Net Profit /(loss) after Exceptional Items and tax (5+6+7)	**(1,341)**	**(1,360)**	**(12,084)**	**(40,626)**	**(2,03,645)**
9. Other Comprehensive Income/(expense)(net of tax)	-	-	-		
a) Remeasurements of the defined benefit plan	-		-	**-**	**114**
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)	**(1,341)**	**(1,360)**	**(12,084)**	**(40,626)**	**(2,03,531)**
11. Paid-up equity share capital (Face Value of Shares is Rs. 10/- each)	13,112	13,112	13,112	13,112	13,112
12. Other equity as shown in the audited balance Sheet	-	-	-	(2,43,756)	(2,03,130)
13. Earnings per equity share (of Rs . 10/- each) (not annualised):	-		-		
a. Basic	(1.02)	(1.04)	(9.22)	(30.98)	(155.31)
b. Diluted	(1.02)	(1.04)	(9.22)	(30.98)	(155.31)
See accompanying notes to the Financial Results					

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Statement of Audited Consolidated financial results for the Quarter and year ended March 31, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended			Year ended	
	31-Mar-20	31-Dec-19	31-Mar-19	31-Mar-20	31-Mar-19
	(Audited) (Refer note 17)	(Unaudited)	(Audited) (Refer note 17)	(Audited)	(Audited)
1. Income					
(a) Revenue from operations	17,698	9,608	19,048	56,239	1,23,914
(b) Other income	1,346	950	86	4,550	2,208
Total Income	**19,044**	**10,558**	**19,134**	**60,789**	**1,26,122**
2. Expenses					
(a) Cost of materials consumed	4,584	1,867	2,916	14,179	43,778
(b) Subcontracting expense	5,129	6,164	9,989	24,351	49,282
(c) Employee benefits expense	1,814	1,275	2,777	6,681	14,284
(d) Finance cost	1,740	147	5,007	2,611	29,018
(e) Depreciation and amortization	858	734	804	3,219	3,675
(f) Other expenses	4,740	1,731	9,360	10,430	25,378
Total expenses	**18,866**	**11,918**	**30,853**	**61,471**	**1,65,415**
3. Profit / (loss) before Exceptional Items and tax (1-2)	**178**	**(1,360)**	**(11,719)**	**(682)**	**(39,293)**
4. Exceptional items (net) (Refer note 13)	1,519	-	-	39,945	**1,64,042**
5. Profit/(Loss) before tax (3-4)	**(1,341)**	**(1,360)**	**(11,719)**	**(40,627)**	**(2,03,335)**
6. Tax (expense) / credit					
-Current Tax	-	-	-	-	-
-Deferred Tax	-		(1,044)	-	(1,044)
7. Share of profit in joint ventures accounted for using the equity method	(17)	-	46	121	101
8. Net Profit /(loss) after Exceptional Items and tax (5+6+7)	**(1,358)**	**(1,360)**	**(12,717)**	**(40,506)**	**(2,04,278)**
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	-		-	-	**114**
b) Income tax relating to the items that will not be reclassified to profit or loss	-		-	-	
Shareholder of the Company	-		-	-	**114**
Non controlling interests	-		-	-	
10. Total comprehensive income for the period (8+9)	**(1,358)**	**(1,360)**	**(12,717)**	**(40,506)**	**(2,04,164)**
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
12. Other equity as shown in the audited Balance sheet				(2,44,269)	(1,96,904)
13. Earnings per equity share (of Rs . 10/- each) (not annualised):					
a. Basic	(1.04)	(1.04)	(9.70)	(30.89)	(155.79)
b. Diluted	(1.04)	(1.04)	(9.70)	(30.89)	(155.79)
See accompanying notes to the Financial Results					

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Standalone and Consolidated Statement of assets and liabilities as at March 31, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Standalone as at		Consolidated as at	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
	(audited)	(audited)	(audited)	(audited)
ASSETS				
Non-current assets				
(a) Property, Plant and Equipment	8,822	11,921	8,822	11,921
(b) Right-of-use-assets	94	-	94	-
(c) Capital work-in-progress	-	100	-	100
(d) Other Intangible assets	1	60	1	60
(e) Financial Assets	-	-	-	-
(i) Investments	3,607	5,958	3,728	5,958
(ii) Trade receivables	1,349	10,084	1,349	10,084
(iii) Loans	2,651	40,379	2,651	47,238
(iv) Others financial assets	28,152	28,397	28,152	28,397
(f) Deferred tax assets (net)	24,299	24,299	24,299	24,299
(g) Non-current tax assets (Net)	8,041	9,022	8,041	9,022
(h) Other non-current assets	72,551	43,896	72,551	43,896
	1,49,566	**1,74,116**	**1,49,687**	**1,80,975**
Current assets				
(a) Inventories	5,222	8,979	5,222	8,979
(b) Financial Assets				
(i) Trade receivables	20,639	15,525	20,639	15,525
(ii) Cash and cash equivalents	6,693	1,549	6,696	1,552
(iii) Bank balances other than (ii) above	19,384	1,384	19,384	1,384
(iv) Loans	1,107	1,207	1,107	1,207
(v) Others financial assets	1,516	8,874	1,516	8,874
(c) Current tax assets (Net)	3,117	3,357	3,117	3,357
(d) Other current assets	79,446	1,10,124	79,446	1,10,124
	1,37,124	**1,50,998**	**1,37,127**	**1,51,001**
Total Assets	**2,86,691**	**3,25,114**	**2,86,815**	**3,31,976**
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	13,112	13,112	13,112	13,112
(b) Other Equity	(2,43,756)	(2,03,130)	(2,44,269)	(1,96,904)
LIABILITIES				
Non-current liabilities				
(a) Financial Liabilities				
(i) Lease Liability	29	-	29	-
(ii) Borrowings	-	66,809	-	66,810
(iii) Trade payables				
Dues to micro and small enterprises	-	-		
Dues to other than micro and small enterprises	20,707	16,524	20,707	16,524
(iv) Other financial liabilities	5,543	18,184	5,543	18,184
(b) Provisions	3,954	5,975	3,954	5,975
(c) Other non-current liabilities	-	362	-	362
	30,233	**1,07,854**	**30,233**	**1,07,855**
Current liabilities				
(a) Financial Liabilities				
(i) Lease Liability	57	-	57	-
(ii) Borrowings	65,669	67,076	65,669	67,076
(iii) Trade payables				
Dues to micro and small enterprises	576	1,100	576	1,100
Dues to other than micro and small enterprises	75,567	74,785	76,204	75,421
(iv) Other financial liabilities	3,09,360	2,29,684	3,09,360	2,29,683
(b) Provisions	7,374	6,497	7,374	6,497
(c) Other current liabilities	28,498	28,136	28,498	28,136
	4,87,101	**4,07,278**	**4,87,738**	**4,07,913**
Total Equity and Liabilities	**2,86,691**	**3,25,114**	**2,86,815**	**3,31,976**

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Statement of Standalone and Consolidated Cash flow Statement for the year ended March 31, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Standalone as at		Consolidated as at	
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
A. Cash flow from operating activities				
Profit/(Loss) before tax	(40,626)	(2,02,601)	(40,626)	(2,03,335)
Adjustment: Non cash adjustments to reconcile profit before tax to net cash flows				
Company's share of profit from integrated joint ventures	-	(101)	(121)	(101)
Liabilities no longer required written back	(418)	(152)	(418)	(152)
(Reversal) / provision for estimated future loss on projects	(1,129)	5,418	(1,129)	5,418
(Profit)/ loss on sale/discard/write off of fixed assets (net)	-	67	-	67
(Reversal) / provision for retirement benefits	-	317	-	317
Depreciation and amortization expense	3,181	3,675	3,181	3,675
Expected credit loss provisions on trade receivable and contract assets	2,950	-	2,950	631
Stocks written-off	1,439	2,104	1,439	2,104
Impairment provision/write off of contract assets balances	-	99,863	-	99,863
Impairment provision/write off of Intangible assets	-	3,299	-	3,299
Impairment provision of Inter Corporate Assets	32,378	2,000	32,378	2,000
Loans and Other assets provision/ written off	5,854	27,163	5,854	27,163
Trade Receivables written off	-	7,119	-	-
Other Assets written off	-	22,494	-	29,613
Interest income from financial assets carried at amortised cost	(7)	(257)	(7)	(257)
Interest expense from financial liabilities carried at amortised cost	316	-	316	-
Interest expense	2,611	29,018	2,611	29,018
Interest income	(3,621)	(982)	(3,621)	(982)
Operating profit before working capital changes	**2,928**	**(1,556)**	**2,806**	**(1,659)**
Movement in working capital adjustments				
(Increase) / decrease in inventories	2,319	10,327	2,319	10,592
(Increase) / decrease in trade receivables	486	198	486	504
(Increase) / decrease in loans	(404)	1,470	(404)	25,211
(Increase) / decrease in other financial assets	7,610	18,042	7,610	18,027
(Increase) / decrease in other non financial assets	2,022	16,714	2,022	16,816
Increase / (decrease) in provision	(15)	18	(15)	5,436
Increase / (decrease) in trade payables	4,827	(39,169)	4,828	(49,604)
Increase / (decrease) in other financial liabilities	743	(1,004)	743	(1,004)
Increase / (decrease) in other liabilities	0	1,465	0	546
Cash (used in) / flow from operating activities	**20,517**	**6,505**	**20,397**	**24,864**
Income tax (refund) / paid (net)	1,221	(1,914)	1,221	(1,982)
Net cash (used in) / flow from operating activities (A)	**21,738**	**4,591**	**21,617**	**22,882**
B. Cash flows from investing activities				
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances	100	(1,072)	100	(1,214)
Proceeds from sale of fixed assets	-	195	-	195
Company's share of profit in the joint ventures received	-	101	121	101
Proceeds from JV	2,535	-	2,535	-
Refund of advances from subsidiaries /joint ventures/associate		770	-	(2,567)
(Deposit) / proceeds from bank deposits (having original maturity of more than three months)	(18,000)	72	(18,000)	72
Interest received	3,621	1,239	3,621	1,239
Net cash (used in) / flow from investing activities (B)	**(11,744)**	**1,304**	**(11,623)**	**(2,175)**
Cash flow from financing activities				
Proceeds/Repayment from long-term borrowings (net)	(832)	26,501	(832)	26,502
Proceeds/Repayment from short-term borrowings (net)	(1,407)	(8,573)	(1,407)	(21,635)
Interest paid	(2,611)	(23,669)	(2,611)	(25,475)
Net cash flow from / (used in) financing activities (C)	**(4,850)**	**(5,741)**	**(4,850)**	**(20,608)**
Net increase (decrease) in cash and cash equivalents (A + B + C)	5,144	156	5,144	100
Cash and cash equivalents at the beginning of the period	1,549	1,393	1,552	1,452
Cash and cash equivalents at the end of the period (Refer below for break-up)	**6,693**	**1,549**	**6,696**	**1,552**
Components of Cash and cash equivalents				
Cash on hand	11	10	11	13
With banks - on current accounts	6,682	1,539	6,685	1,539
Deposits with original maturity for less than 3 months	-	-	-	-
Total cash and cash equivalents	**6,693**	**1,549**	**6,696**	**1,552**

Notes to the audited consolidated and standalone financial results for the quarter and year ended March 31, 2020:

(1) The above consolidated and standalone financial results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company in their meetings held on September 02, 2020 and September 03, 2020 respectively.

(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 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) Effective April 01, 2019, the Company has adopted Ind AS 116, Leases. There is no material impact of transition to Ind AS 116 on the consolidated and standalone financial results for the quarter and year ended March 31, 2020.

(5) 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 above mentioned contingent liabilities, no provision is required to be made as at March 31, 2020.

(6) Going Concern:

The Company has incurred loss of Rs. 2,72,225 Lakhs during the year ended March 31, 2020 (Year ended March 31, 2019 Rs 2,31,600 Lakhs). Company's net worth has been fully eroded and the current liabilities exceed its current assets as at the balance sheet date by Rs. 3,49,977 (March 31, 2019: Rs. 2,56,279). There are uncertainties on recovery of carrying value of trade receivable, retention money, contract assets and loans given to ultimate investee entities. A major portion of the existing projects being executed by the Company are nearing completion / or approaching their end of term over next fifteen months, which is likely to result in significant reduction in the Company's operating revenue thereafter. During the current and previous year, the Company has defaulted on various loans to the lenders of the Company, including borrowings from promoter group entities.

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.

(7) 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. 28,951 Lakhs (for the year March 31, 2019, Rs. 14,499 Lakhs) approximately (Excluding penal interest etc.) for year ended March 31, 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 March 31, 2020 aggregates to Rs 43,450 Lakhs (As at March 31, 2019, Rs 14,499 lakhs) approximately (excluding penal interest etc.).

(8) Deferred Tax: amounting to Rs. 24,299 Lakhs as at March 31, 2020 (Rs. 24,299 Lakhs as at March 31, 2019), 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.

(9) Advances to vendor:

During the financial year ended March 31, 2019, the erstwhile management of the Company has paid an amount of Rs. 6500 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.

(10) Exceptional items

Due to certain developments as detailed in Note no. 5 the company has undertaken comprehensive review of the account balances of the assets and the liabilities during the previous year based on guidelines received from time to time from the promotor group management. Further, during the previous year the company also has received settlement awards from arbitrations initiated in earlier years. Certain projects also were terminated / foreclosed.

Based on the review the company had provided for/written off/adjusted for the balances under the contract assets(un billed revenue), trade receivables, investments, loans/ advances, ICD, interest on claims recognized in earlier years and mining rights, considering the ability of parties to pay the dues, the probability of certification, the financial strength of the entities as assessed by the management and arbitration awards in the previous year.

In the earlier years, the Company has given advances in the nature of promoter debt to an ultimate investee entity aggregating to Rs 4,611 Lakhs. During the year, due to certain developments that occurred in the said ultimate investee entity, the Company has made a provision for the same amount.

In the earlier years, erstwhile promoters of the Company had given Inter corporate deposits (ICDs), amounting to Rs 32,378 Lakhs to various companies. Considering the uncertainty in recovering the ICDs in future, the Company has provided the ICDs during the year. During the year the Company had made provision for diminution in the carrying value of inventory to the extent of Rs. 1,439 Lakhs in respect of terminated / foreclosed projects and based on the review the company had provided for/written off/adjusted for the balances under the contract assets (un billed revenue), trade receivables, investments, JV balances.

Considering the impact for the year of said adjustments in aggregate, the amounts so adjusted has been reported as exceptional items. The details of amount so adjusted are as below.

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Write off on account of Arbitration awards - Contract assets and interest	-	47,431
Write off of contract assets on account of Termination/foreclosure of projects	-	5,987
Impairment provision for contract assets on account of Termination/foreclosure and modification in contractual terms of projects	148	43,241
Impairment provision of investment in overseas subsidiary, JV Balance, Pass Through Certificates and Company's share of profit in JV	126	29,891
Write off of Intercorporate deposits, loans, trade receivables and other advances	-	5,527
Impairment provision in value of Intercorporate deposits, loans, trade receivables and other advances	38,232	26,562
Provision for the diminution in value of inventories	1,439	2,104
Write off of intangible asset (termination of mining rights)	-	3,299
Total	**39,945**	**1,64,042**

(11) Trade receivables and Retention Money:

a) Trade Receivables as at March 31, 2020 include:

(i) Dues from terminated / foreclosed/ completed/ inactive /disputed projects, Rs 6,037 Lakhs. Management initiated discussion for recovery of the billed revenue upto 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 receivable as realisable.

(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 March 31, 2020. Adjustments, if any, that may arise on ultimate realizations will be made in the year in which the settlement is concluded.

b) Retention money of Rs 14,012 Lakhs (including relating to terminated/foreclosed projects), which can be received by the Company, primarily after completion of Defective Liability Period (DLP). As at March 31, 2020, the Company has not received any claims under defect liability clause and is confident of recovery of the carrying value of the same.

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

(i) Rs 37,701 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. 14,169 Lakhs, 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.

(12) **Confirmation of Balances:**

As at March 31, 2020, fund-based borrowings availed by the Company aggregates to Rs 2,63,191 Lakhs. These include borrowings from promoter group entities, aggregating to Rs 2,04,732 Lakhs. The Company neither serviced principal amounts and /or interest payments, wherever applicable. Further, borrowings to the extent of Rs.19,324 Lakhs were not conformed by lenders. Adjustments to principal and interest, if any, will be recognized in the period of final settlement.

Also, the Company has not received confirmation of balances from parties to whom advances have been made by the Company for supply of services/goods (Advances other than capital goods, Mobilization Advances to Sub Contractors) and trade payables. Further, the balances under these items are subject to reconciliation. The management is confident that the settlement of these balances will be made at the carrying amounts and no provision is required at present. Adjustments for variances, if any will be made in the year of settlement.

(13) 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.

(14) The In the earlier years, pursuant to the Debt Restructuring Programme, the Company had settled an irrevocable trust, namely, Maytas Investment Trust (Trust). The objective of the Trust was to dispose certain underlying investments held and settle the liability towards the Pass Through Certificate (PTC), wherein the Company was also a contributory. Value of Investment in the PTC issued by the Company was Rs. 25,967 Lakhs. Further, the Company has receivables from the investee entities in the form of loans and advances and investments aggregating to Rs. 10,120 Lakhs.

Based on the valuation reports furnished by external valuers, during the previous year, the Company has recognised an impairment of Rs. 25,967 Lakhs towards diminution in the value of PTC. During the year, due to certain developments that occurred in the said ultimate investee entity, the Company has recognised an impairment of Rs. 4,611 Lakhs towards diminution in the value of loans and advances including interest. However, the Company is confident of recovery of the carrying value of balance advances given to the investee entities.

(15) 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 extent to which the Covid 19 pandemic will impact the company's results will depend on future developments, which are uncertain, including, among other things, any new information concerning the severity of the Covid 19 pandemic and any action to contain its spread or mitigate its impact whether government –mandated or elected by the Company.

(16) Statutory Auditors of the Company have qualified in their audit reports with regards to matters stated in paragraphs 7 and 8 above and drawn emphasis of matter with respect to matters stated in paragraphs 5, 6,9,10,11,12, 13, 14 and 15 above.

(17) The figures for the quarter ended March 31, 2020 and March 31, 2019 are the balancing figures between audited figures in respect of the full financial year and the published unaudited year to date figures upto third quarter of respective financial year. Also, the figures upto the end of the third quarter were only reviewed and were not subjected to audit.

(18) 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: 2020.09.03 13:34:43 +05'30'

Dilip Lalchand Bhatia
Director
DIN: 01825694

Place:
Date: September 03, 2020

BIJAY KUMAR
Digitally signed by BIJAY KUMAR
Date: 2020.09.03 14:00:38 +05'30'

Bijay Kumar
Director
DIN: 07262627

Place:
Date: September 03, 2020

KHAN KAZIM RAZA
Digitally signed by KHAN KAZIM RAZA
Date: 2020.09.03 12:07:31 +05'30'

Kazim Raza Khan
Chief Executive Officer

Place:
Date: September 03, 2020

Naveen Kumar Agrawal

Naveen Kumar Agrawal
Chief Financial Officer

Place:
Date: September 03, 2020

SISTLA SRINIVASA KIRAN
Digitally signed by SISTLA SRINIVASA KIRAN
Date: 2020.09.03 11:29:23 +05'30'

Sistla Srinivasa Kiran
Company Secretary

Place:
Date: September 03, 2020

M. BHASKARA RAO & CO.
CHARTERED ACCOUNTANTS
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To
The Board of Directors of
IL&FS Engineering and Construction Company Limited

Qualified Opinion

1. We have audited the accompanying standalone annual financial results of **IL&FS Engineering and Construction Company Limited** ("the Company") for the year ended 31 March 2020 ("the Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations").

2. In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects, if any, for the matters described in Paras 3 to 4 below and read with material uncertainty relating to Going Concern Para and Para 5 to 13 under Emphasis of matters para below , these annual standalone financial results:

   a. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and

   b. give a true and fair view of the Net loss (including other comprehensive income) and other financial information of the Company for the quarter and year ended March 31, 2020.

Basis for Qualified Opinion

We draw attention to notes to financial results:

3. Note 7 relating to non-recognition of interest expense for the year amounting to Rs. 28,951 lakhs (March 31,2019: Rs 14,499 Lakhs) (excluding penal interest) on the borrowings availed by the Company considering the process initiated for submission of a resolution proposal to lenders for restructuring of existing debt.
   i. Consequently, interest expense and loss for the year are understated by Rs. 28,951 Lakhs (March 31,2019: Rs 14,499 Lakhs) approximately and
   ii. Retained earnings (accumulated loss) and Interest Payable is understated by Rs. 43,450 Lakhs (March 31,2019: Rs 14,499 Lakhs) approximately.

4. Note 8 relating to Deferred tax assets classified as a part of Non-current assets and forming part of standalone financial results amounting to Rs. 24,299 lakhs as at March 31, 2020 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 and loss for the year and retained earnings (accumulated loss) are understated by Rs. 24,299 lakhs.

Material uncertainty related to going Concern:

5. Attention is invited to Note 6 regarding a likely significant reduction in the Company's future income from operations, in the absence of new business orders, management's expectation

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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 accordingly 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:

6. Note 5 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 results of the Company for the year 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 results of the Company as a result of any such investigations.

7. Note 11 regarding recoverability of trade receivables, retention money and contract assets (project work in progress) from the terminated / foreclosed /completed/ disputed / inactive projects, amounting to Rs 6,037 Lakhs, Rs 14,012 Lakhs and Rs 14,169 Lakhs respectively and Rs 37,701 lakhs (net) in respect of a project for which arbitration award was received in favour of the Company. Based on its internal assessment, no adjustments have been made by the Company in the carrying value of the receivables / contract assets/ retention money.

8. Note 14 which include carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 10,120 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.

9. Note 12 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 19,324 lakhs and for the carrying value of advances to and payables to vendors for supply of materials or services.

The ultimate outcome of the matters stated above in Note 6, 7, 8 and 9 cannot be presently determined, pending approvals, acceptances, legal interpretations, conclusion of legal proceedings, achievements of traffic projections, favourable settlement of claims and ultimate realisations, waiver by lenders, etc. as referred to in the relevant notes to the accompanying

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standalone financial results referred above, accordingly no adjustment has been made in the carrying value of the aforesaid assets.

10. Note 10 regarding exceptional items comprising written off / provisions made and other adjustments made during the respective periods based on comprehensive review / assessment carried out by the management.

11. Note 13 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 3,750 lakhs and Rs 1,579 lakhs respectively.

12. Note 9 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

13. Note 15 which explains the uncertainty and the management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government and conditions related to Covid 2019 pandemic situation, for which a definitive assessment of the impact is highly dependent upon circumstances as they evolve in subsequent period

Our opinion is not modified in respect of matters stated in paras 6 to 13.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 (the Act). Our responsibilities under those Standards are further described in the *"Auditor's Responsibilities for the Audit of the Standalone Financial Statements"* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial results under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Management's Responsibilities for the Standalone Financial Results

These standalone annual financial results have been prepared on the basis of the standalone annual financial statements.

The Company's Board of Directors are responsible for the preparation of these financial results that give a true and fair view of the net profit and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India

M. BHASKARA RAO & Co., Chartered Accountants HYD.

and in compliance with the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial results, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

M. BHASKARA RAO & Co., Chartered Accountants, HYD.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

The standalone annual financial results include the results for the quarter ended 31 March 2020 being the balancing figures between the audited figures in respect of the financial year ended 31 March 2020 and the published unaudited year-to-date figures up to 31 December 2019, which were subjected to a limited review by us.

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

M. BHASKARA RAO & Co. Chartered Accountants HYD.

V K Muralidhar
Partner
Membership No.201570
UDIN: 20201570AAAAFS3645

Hyderabad, September 03, 2020

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

Qualified Opinion

1. We have audited the accompanying annual consolidated financial results of **IL&FS Engineering and Construction Company Limited** ('the Holding Company') and its subsidiaries (collectively referred to as 'the Group') for the year ended March 31, 2020 (" the statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

2. In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects, if any, for the matters described in Paras 3 to 5 below and read with material uncertainty relating to Going Concern Para and Para 6 to 14 under Emphasis of matters para below , these annual consolidated financial results:

   a. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended; and

   b. give a true and fair view of the Net loss (including other comprehensive income) and other financial information of the Company for the quarter and year ended March 31, 2020.

Basis for Qualified Opinion

We draw attention to notes to financial results:

3. Note 7 relating to non-recognition of interest expense for the year amounting to Rs. 28,951 lakhs (March 31,2019: Rs 14,499 Lakhs) (excluding penal interest) on the borrowings availed by the Company considering the process initiated for submission of a resolution proposal to lenders for restructuring of existing debt.
   a. Consequently, interest expense and loss for the year are understated by Rs. 28,951 Lakhs (March 31,2019: Rs 14,499 Lakhs) approximately and
   b. Retained earnings (accumulated loss) and Interest Payable is understated by Rs. 43,450 Lakhs (March 31,2019: Rs 14,499 Lakhs) approximately

4. Note 8 relating to Deferred tax assets classified as a part of Non-current assets and forming part of consolidated financial results amounting to Rs. 24,299 lakhs as at March 31, 2020 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 and loss for the year and retained earnings (accumulated loss) are understated by Rs. 24,299 lakhs.

5. The Group has not consolidated one overseas subsidiary. We were informed that the said overseas subsidiary has ceased its operations for a period in excess of three years.

M. BHASKARA RAO & Co. Chartered Accountants HYD.

Material uncertainty related to going Concern:

6. Attention is invited to Note 6 regarding a likely significant reduction in the Company's future 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 accordingly 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 5 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 results of the Company for the year 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 results of the Company as a result of any such investigations.

8. Note 11 regarding recoverability of trade receivables, retention money and contract assets (project work in progress) from the terminated / foreclosed /completed/ disputed / inactive projects, amounting to Rs 6,037 Lakhs, Rs 14,012 Lakhs and Rs 14,169 Lakhs respectively and Rs 37,701 lakhs (net) in respect of a project for which arbitration award was received in favour of the Company. Based on its internal assessment, no adjustments have been made by the Company in the carrying value of the receivables / contract assets/ retention money.

9. Note 14 which include carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 10,120 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.

10. Note 12 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 19,324 lakhs and for the carrying value of advances to and payables to vendors for supply of materials or services.

M. BHASKARA RAO & Co. Chartered Accountants HYD.

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, achievements of traffic projections, favourable settlement of claims and ultimate realisations, waiver by lenders, etc. as referred to in the relevant notes to the accompanying consolidated financial results referred above, accordingly no adjustment has been made in the carrying value of the aforesaid assets.

11. Note 10 regarding exceptional items comprising written off / provisions made and other adjustments made during the respective periods based on comprehensive review / assessment carried out by the management.

12. Note 13 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 3,750 Lakhs and Rs 1,579 Lakhs respectively.

13. Note 9 regarding advance of Rs. 6500 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

14. Note 15 which explains the uncertainty and the management's assessment of the financial impact due to the lockdown and other restrictions imposed by the Government and conditions related to Covid 2019 pandemic situation, for which a definitive assessment of the impact is highly dependent upon circumstances as they evolve in subsequent period

Our opinion is not modified in respect of matters stated in paras 7 to 14.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 (the Act). Our responsibilities under those Standards are further described in the *"Auditor's Responsibilities for the Audit of the Standalone Financial Statements"* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial results under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Management's Responsibilities for the Consolidated Financial Results

These consolidated annual financial results have been prepared on the basis of the consolidated annual financial statements.

The Company's Board of Directors are responsible for the preparation of these financial results that give a true and fair view of the net profit and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued

M. BHASKARA RAO & CO. Chartered Accountants HYD.

thereunder and other accounting principles generally accepted in India and in compliance with the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial results, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

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to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

The consolidated annual financial results include the results for the quarter ended 31 March 2020 being the balancing figures between the audited figures in respect of the financial year ended 31 March 2020 and the published unaudited year-to-date figures up to 31 December 2019, which were subjected to a limited review by us.

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

M. BHASKARA RAO & Co., Chartered Accountants HYD.

V K Muralidhar
Partner
Membership No.201570
UDIN: 20201570AAAAFT7344

Hyderabad, September 03, 2020

ANNEXURE I

Statement on Impact of Audit Qualifications for the Financial year ended March 31, 2020

(See Regulation 33 of the SEBI (LODR) (Amendment) Regulations,2016)

Rs. in Crores

	S. No	Particulars	Audited Figures (as reported before adjusting for qualifications)	Audited Figures (audited figures after adjusting for qualifications)
I.	1	Turnover / Total Income	607.89	607.89
	2	Total Expenditure	614.71	1,147.21
	3	Net Profit / (Loss)	(405.05)	(937.55)
	4	Earnings Per Share	(30.89)	(185.38)
	5	Total Assets	2,868.15	2,625.16
	6	Total Liabilities	4,877.38	5,311.88
	7	Net Worth	(2,311.57)	(2,686.72)
	8	Any Other financial item(s)(as felt appropriate by the management)		

II. Audit Qualification (each audit qualification separately):

A. a. Details of Audit Qualification :

Deferred tax assets classified as a part of Non-current assets and forming part of Consolidated Financial results amounting to Rs.242.99 Crores as at March 31, 2020 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 and loss for the year and retained earnings (accumulated loss) are understated by Rs.242.99 Crores.

b. Type of Audit Qualification : Qualified Opinion

c. Frequency of qualification : First time reported in the year ended March 31, 2019.

d. For Audit Qualification(s) Where the impact is quantified by the auditor, Management's Views:

Note 8 relating to deferred tax asset amounting to Rs. 242.99 Crores as at March 31, 2020, recognised by the Company in earlier years. The same is being retained as the Company is in the process of finalising resolution plan which if approved and implemented is likely to generate enough profits in subsequent years which can be set-off against deferred tax asset

e. For Audit Qualification(s) Where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not Applicable

(ii) If management is unable to estimate the impact, reasons for the same:

Not Applicable

(iii) Auditors ' Comments on e(i) or e(ii) above:

Nil

B. a. Details of Audit Qualification :

Note 7 relating to non-recognition of interest expense for the year amounting to Rs. 289.51 Crores (excluding penal interest) on the borrowings availed by the Company considering the process initiated for submission of a resolution proposal to lenders for restructuring of existing debt. Consequently, interest expense and loss for the year are understated by Rs. 434.50 Crores and retained earnings (accumulated loss) and interest payable is understated by Rs. 434.50 Crores.

b. Type of Audit Qualification : Qualified Opinion

c. Frequency of qualification : First time reported in the year ended March 31, 2019.

d. For Audit Qualification(s) Where the impact is quantified by the auditor, Management's Views:

Interest has not been recognised in line with the restructuring plan which is currently under discussion with the lenders. In the restructuring plan, the Company is proposing for waiver of Interest and accordingly the same has not been recognised in the books.

e. For Audit Qualification(s) Where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification:

Not Applicable

(ii) If management is unable to estimate the impact, reasons for the same:

Not Applicable

(iii) Auditors ' Comments on e(i) or e(ii) above:

Nil

C a. Details of Audit Qualification :

The Group has not consolidated its overseas subsidiary. As per management, the overseas subsidiary has ceased its operations for a period in excess of 3 years.

b. Type of Audit Qualification : Qualified Opinion

c. Frequency of qualification : First time reported in the year ended March 31, 2019.

	d. For Audit Qualification(s) Where the impact is quantified by the auditor, Management's Views: Not Applicable
	e. For Audit Qualification(s) Where the impact is not quantified by the auditor:
	(i) Management's estimation on the impact of audit qualification: Investment in subsidiary has been fully provided for. There were no operations for more than 3 years. Financial information will not have significant impact on the consolidated results.
	(ii) If management is unable to estimate the impact, reasons for the same: Not applicable
	(iii) Auditors ' Comments on e(i) or e(ii) above: Nil
III.	**Signatories:**
	1. DIRECTOR Dilip Lalchand Bhatia Digitally signed by Dilip Lalchand Bhatia Date: 2020.09.03 13:39:02 +05'30'
	2 Chief Executive Officer KHAN KAZIM RAZA Digitally signed by KHAN KAZIM RAZA Date: 2020.09.03 13:13:51 +05'30'
	3 **Chief Financial Officer** Naveen Kumar Agrawal
	Statutory Auditors: for **M.Bhaskara Rao & Co.,** *Chartered Accountants* ICAI Firm Registration Number: 000459S **V K Murlidhar** Partner Membership No: 201570 UDIN: 20201570AAAAFT7344 **Place:** ~~Mumbai~~ Hyderabad **Date.** : September 03, 2020

BIJAY KUMAR Digitally signed by BIJAY KUMAR Date: 2020.10.27 20:34:11 +05'30'