

IL&FS Engineering and Construction Company Limited

CIN - L45201TG1986PLC008624

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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13th Feb-2021

To

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

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

Scrip Code: 532907

Scrip Code: IL&FSENGG

Dear Sir / Madam,

Sub:- Outcome of the Board Meeting dtd. 13th Feb-2021.

With reference to the Board Meeting notice issued on 5th Feb-2021, we would like to inform you that the Board of Directors of the Company at their meeting held on 13th Feb-2021, have inter alia approved the Unaudited Financial both Standalone & Consolidated Results of the Company for the quarter ended **December-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 **December-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 ended **December-2020** from our Statutory Auditors.

The Board Meeting commenced at 11:15 AM and concluded at 2:55 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.



Gurgaon Office: 1st Floor, Corporate Office Tower, Ambience Mall Complex, Ambience Island, NH - 8, Gurgaon 122 001

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Website- www.ilfsengg.com; Email- cs@ilfsengg.com

Statement of Unaudited Standalone financial results for the Quarter and Nine months ended December 31, 2020

Particulars	(Rs. In Lakhs, unless otherwise stated)					
	Quarter ended			Nine months ended		Year ended
	31-Dec-20 (Unaudited)	30-Sep-20 (Unaudited)	31-Dec-19 (Unaudited)	31-Dec-20 (Unaudited)	31-Dec-19 (Unaudited)	31-Mar-20 (Audited)
1. Income						
(a) Revenue from operations	7,646	6,949	9,608	17,928	38,541	56,239
(b) Other income	437	816	950	1,754	3,204	4,550
Total Income	8,083	7,765	10,558	19,682	41,745	60,789
2. Expenses						
(a) Cost of materials consumed	2,420	1,799	1,867	5,145	9,595	14,179
(b) Subcontracting expense	3,982	3,023	6,164	8,547	19,222	24,351
(c) Employee benefits expense	1,169	1,246	1,275	3,669	4,867	6,681
(d) Finance cost	631	384	147	1,518	870	2,611
(e) Depreciation and amortization	410	519	734	1,421	2,361	3,219
(f) Other expenses	788	3,352	1,731	4,936	5,690	10,429
Total expenses	9,400	10,323	11,918	25,236	42,605	61,470
3. Profit / (loss) before Exceptional Items and tax (1-2)	(1,317)	(2,558)	(1,360)	(5,554)	(860)	(681)
4. Exceptional items (net) (Refer note 14)	-	4,758	-	4,758	38,426	39,945
5. Profit/(Loss) before tax (3-4)	(1,317)	(7,316)	(1,360)	(10,312)	(39,286)	(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)	(1,317)	(7,316)	(1,360)	(10,312)	(39,286)	(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)	(1,317)	(7,316)	(1,360)	(10,312)	(39,286)	(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	(1.00)	(5.58)	(1.04)	(7.86)	(29.96)	(30.98)
b. Diluted	(1.00)	(5.58)	(1.04)	(7.86)	(29.96)	(30.98)
See accompanying notes to the Financial Results						



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Statement of Unaudited Consolidated financial results for the Quarter and Nine months ended December 31, 2020

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended			Nine months ended		Year ended
	31-Dec-20	30-Sep-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Mar-20
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Income						
(a) Revenue from operations	7,646	6,949	9,608	17,928	38,541	56,239
(b) Other income	437	816	950	1,754	3,204	4,550
Total Income	8,083	7,765	10,558	19,682	41,745	60,789
2. Expenses						
(a) Cost of materials consumed	2,420	1,799	1,867	5,145	9,595	14,179
(b) Subcontracting expense	3,982	3,023	6,164	8,547	19,222	24,351
(c) Employee benefits expense	1,169	1,246	1,275	3,669	4,867	6,681
(d) Finance cost	631	384	147	1,518	870	2,611
(e) Depreciation and amortization	410	519	734	1,421	2,361	3,219
(f) Other expenses	788	3,352	1,731	4,936	5,690	10,429
Total expenses	9,400	10,323	11,918	25,236	42,605	61,470
3. Profit / (loss) before Exceptional Items and tax (1-2)	(1,317)	(2,558)	(1,360)	(5,554)	(860)	(681)
4. Exceptional items (net) (Refer note 14)	-	4,758	-	4,758	38,426	39,945
5. Profit/(Loss) before tax (3-4)	(1,317)	(7,316)	(1,360)	(10,312)	(39,286)	(40,626)
6. Tax (expense) / credit						
-Current Tax	-	-	-	-	-	-
-Deferred Tax	-	-	-	-	-	-
7. Share of profit in joint ventures accounted for using the equity method	-	-	-	-	138	121
8. Net Profit / (loss) after Exceptional Items and tax	(1,317)	(7,316)	(1,360)	(10,312)	(39,148)	(40,505)
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)	(1,317)	(7,316)	(1,360)	(10,312)	(39,148)	(40,505)
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	(1.00)	(5.58)	(1.04)	(7.86)	(29.86)	(30.89)
b. Diluted	(1.00)	(5.58)	(1.04)	(7.86)	(29.86)	(30.89)
See accompanying notes to the Financial Results						



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Notes to the unaudited consolidated and standalone financial results for the quarter and Nine months ended December 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 February 13, 2021.
- (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 forensic audit is in final stages of completion

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 December 31, 2020.

(5) **Going Concern:**

The Group or Company has incurred loss of Rs.10,313 Lakhs during the period ended December 31, 2020 (Year ended March 31, 2020 Rs 40,626 Lakhs). 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. 24,832 Lakhs (for the year March 31, 2020, Rs 28,951 Lakhs) approximately (Excluding penal interest etc.) for nine months period ended December 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 December 31, 2020 aggregates to Rs 68,282 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 nine months ended December 31, 2020.

- (7) Deferred Tax: amounting to Rs. 24,299 Lakhs as at December 31, 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) Complaint with Economic Offences Wing, Hyderabad:

Internal auditors of the company in their internal audit report had expressed few anomalies relating to certain commercial decisions taken by erstwhile management of the company with respect to execution of a project. Board of directors of the company directed the management to file a complaint/case with Economic Offences Wing ("EOW"), Hyderabad for further investigation. The management has submitted the documents/ information so far sought by EOW.

- (9) 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



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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) Trade receivables and Retention Money:

a) Trade Receivables of Rs. 21,547 Lakhs as at December 31, 2020 include:

(i) Dues from terminated / foreclosed / certain completed/ inactive projects, Rs 9,161 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 3,150 Lakhs for which the Company obtained certifications for the works done / bills raised. No provisioning has been made for the said receivables as at December 31, 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 of Rs.48,847 Lakhs as at December 31, 2020 includes Rs 12,023 Lakhs relating to terminated/foreclosed projects. Entire retention money can be received by the Company, primarily after completion of Defective Liability Period (DLP). As at December 31, 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 of Rs.73,956 Lakhs) 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.12,023 Lakhs, represents recoverable from the respective customers from terminated / foreclosed / certain completed/ inactive projects. The respective customers have indicated based on a mutual evaluation of the contract, project dues (unbilled) till the date of termination etc. 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.

(11) Confirmations of balances relating to borrowings:

As at December 31, 2020, fund based borrowings availed by the Company aggregates to Rs 2,62,940 Lakhs. These include borrowings from group entities, aggregating to Rs 2,04,707 Lakhs. The Company neither serviced principal amounts and /or interest payments, wherever applicable. Further, Borrowings to the extent of Rs. 2,25,139 Lakhs were not conformed by respective lenders. Adjustments to principal and interest, if any, will be recognized in the period of final settlement.



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- (12) 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.

- (13) 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. 10,001 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 respective investee entities.
- (14) 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 during 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.
- (15) 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, 13 and 14 above.
- (16) 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



SUBRATA KUMAR ATINDRA MITRA
DIN NO: 00029961

KHAN
KAZIM RAZA
Digitally signed by KHAN
KAZIM RAZA
Date: 2021.02.13
14:42:53 +05'30'
Kazim Raza Khan
Chief Executive Officer

Naveen Kumar
Agrawal
Naveen Kumar Agrawal
Chief Financial Officer



Place:
Date: February 13, 2021

Place:
Date: February 13, 2021

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Independent Auditor's Review Report on Statement of Unaudited Standalone Financial Results of
IL&FS Engineering and Construction Company Limited for the quarter and nine months ended
December 31, 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 nine months ended December 31, 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 February 13, 2021, 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 December 31, 2020 Rs. 7,947 Lakhs (approximately excluding penal interest, etc.) (Rs. 8,442 Lakhs for three months period ended on September 30, 2020 and Rs. 6,935 Lakhs for three months period ended on December 31, 2019) and
 - b. for the nine months period ended on December 31, 2020 amounting to Rs. 24,832 Lakhs (approximately excluding penal interest, etc.) (Rs. 21,633 for nine months



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period ended on December 31, 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 nine months period ended on December 31, 2020 are understated by Rs. 7,947 Lakhs and Rs. 24,832 Lakhs respectively. Interest expense and loss for the three months period ended on September 30, 2020 is understated by Rs. 8,442 Lakhs; and
 - d. interest payable as at December 31, 2020 is understated by Rs. 68,282 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 December 30 2020 is under stated by Rs. 92,581 Lakhs (as at December 31, 2019 Rs. 60,431 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); and the draft report received during the quarter by the management from the forensic auditors. The financial statements of the Company for the period ended December 31, 2020 do not include adjustments, if any, that may arise on account



of the ongoing investigations by the investigating & other agencies, Regulatory Authorities and forensic auditors 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 10 regarding recoverability of trade receivables, retention money and contract assets (Project work in progress) from the terminated / foreclosed /completed/inactive projects, amounting to Rs 12,311 Lakhs, Rs 12,023 Lakhs and Rs 48,440 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 11 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 2,25,138 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 13 which includes carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 10,001 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 14 regarding exceptional item based on review / assessment carried out by the management in respect of Covid-19 impact.
12. Note 12 regarding default in redemption of optionally convertible 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 complaint made to Economic Offences Wing (EOW), Hyderabad for the reasons stated in the said note.
14. Note 9 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 14.



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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 and 5 under Basis for Qualified Conclusion, and read with Material uncertainty relating to the Going Concern and the matters in Paras 6 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.

February 13, 2021, Hyderabad

for M. Bhaskara Rao & Co.,

Chartered Accountants

Firm Registration No.000459S



V K Muralidhar

Partner

Membership No.201570

UDIN: 21201570AAAAABN8483



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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 nine months ended
December 31, 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 nine months ended December 31, 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 February 13, 2021, 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
 - a. for the three months period ended on December 31, 2020 Rs. 7,947 Lakhs (approximately excluding penal interest etc.) (Rs. 8,442 Lakhs for three months period ended on September 30, 2020 and Rs. 6,935 Lakhs for three months period ended on December 31, 2019) and
 - b. for the nine months period ended on December 31, 2020 amounting to Rs. 24,832 Lakhs (approximately excluding penal interest, etc.) (Rs. 21,633 for nine months period ended on December 31, 2019 and Rs. 28,951 Lakhs for the year ended on



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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 nine months period ended on December 31, 2020 are understated by Rs. 7,947 Lakhs and Rs. 24,832 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 December 31, 2020 is understated by Rs. 68,282 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 December 31 2020 is under stated by Rs. 92,581 Lakhs (as at December 31, 2019 Rs. 60,431 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



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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 December 31, 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 10 regarding recoverability of trade receivables, retention money and contract assets (Project work in progress) from the terminated / foreclosed / completed/inactive projects, amounting to Rs 12,311 Lakhs, Rs 12,023 Lakhs and Rs 48,440 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 11 regarding non receipt of confirmation of balances for outstanding borrowings to the extent of Rs 2,25,138 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 13 which includes carrying value of loans and advances and interest accrued on such loans to the ultimate investee entities aggregating to Rs. 10,001 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 14 regarding exceptional item based on review / assessment carried out by the management in respect of Covid-19 impact.
13. Note 12 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 complaint made to Economic Offences Wing (EOW), Hyderabad for the reasons stated in the said note.
15. 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



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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 15.

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 15 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



V K Muralidhar
Partner

Membership No.201570

UDIN: 21201570AAAAABO5688

February 13, 2021, Hyderabad

