

Independent Auditor's Review Report

To
The Board of Directors
Energy Efficiency Services Limited

1. *Introduction*

We have reviewed the accompanying 'Standalone Financial Results' and 'Statement of Assets & Liabilities' with notes thereon (together referred as the Financial Statements) of **Energy Efficiency Services Limited** (the Company) for the half year and year ended on 31st March 2020, being submitted by the company pursuant to the requirements of Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as modified by circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 and circular No. CIR/IMD/DFI/69/2016 dated August 10, 2016. These Financial Statements, prepared in accordance with the above said regulations and applicable Indian Accounting Standards (Ind-AS) specified under section 133 of the Companies Act, 2013 read with relevant rules and other recognized accounting practices and policies generally accepted in India (applicable laws), are the responsibility of the Company's management and have been approved by the Board of Directors. This responsibility includes preparation and fair presentation of the Financial Statements as per the applicable financial reporting framework. Our responsibility is to express a conclusion on the Financial Statements based on our review.

2. *Scope of Review*

We conducted our review 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 (ICAI). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to financial data and thus is substantially less in scope and provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

In the conduct of our review we have relied upon the financial statements of one foreign branch, as submitted by the company.



3 Basis for Qualified Conclusion

- 3.1 As also qualified in the 'Independent Auditor's Report' for the Year ended on 31-03-2019 and "Limited Review Report' for the half year ended 30-09-2019;
- a) Trade receivables are due from government-controlled entities and other customers. Significant amount of Rs. 103564.26 Lakhs is outstanding for the period of more than 360 days as on 31st March 2020 (Rs. 60454.34 Lakhs for the previous year ended 31.03.2019). The company has represented that the Company earns its revenue mainly from government-controlled entities (both central and state government) and hence risks attached to such receivables are considered to be insignificant. For rest of the customers, the Company does an assessment/evaluation of credit risk based on factors such as ageing of dues, specific credit circumstances, nature and credit worthiness of the customers. The company has not furnished any records or evidences to demonstrate that such an evaluation and assessment has been carried out. However, a provision of Rs. 850 lakhs in respect of amount outstanding for more than 360 days as on 30.09.2019 from non-government controlled entities have been made and no further provision have been made for the period ended 31.03.2020. We are unable to quantify the impact on the statement on account of any further possible allowance on doubtful trade receivables due to expected credit loss, pending such assessment/evaluation. (Refer Note No. 8).
- b) For Financial assets for which loss allowance is measured using life time expected credit losses in the Financial Statements, the Company has represented that its customers have capacity to meet the obligations and therefore the risk of default is low. Further, management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour. However, an allowance for doubtful receivables of Rs. 196.65 Lakhs was recognised during the period ended 31.03.2020 (Rs. 393.29 Lakhs for the previous year ended on 31.03.2019) i.e., to the extent of 10% of the total outstanding of Rs. 1966.40 Lakhs, thereby making a total provision of Rs. 589.93 Lakhs i.e., 30% of total Outstanding as on 31.03.2020, in respect of cases which are under litigation for recovery. The Company has not been able to demonstrate and produce any evidence that such cases were actually assessed/evaluated for ascertaining credit risk based on factors such as ageing of dues, specific credit circumstances, nature and credit worthiness of the customers as defined in the policy of the management for the purpose of creating allowance on such doubtful trade receivables due to expected credit loss in case of default. Therefore, we are unable to quantify the actual impact on the statement on account of further possible allowance on such doubtful trade receivables (which are under litigation for recovery) due to expected credit loss once such evaluation is done. (Refer Note No. 9).
- c) The company had deferred 'Advertisement Expenses' amounting to Rs. 4287.50 Lakhs in the previous years, from which it has charged an amount of Rs. 1071.87 Lakhs in the Statement of Profit & Loss for the period ended 30.09.2019, pertaining to earlier years, as Media/Advertisement Expenses and no further adjustments have been done in the statement of Profit & Loss for the period ended on 31.03.2020, as per the accounting policy of the company on 'Expenses related to awareness on UJALA Programme'. The company continues to defer and carry the balance amount of Rs3215.63 Lakhs as Prepaid Expenditure shown under the head Other Current Assets in the Financial Statements contrary to the principles enunciated under Ind AS 38 on 'Intangible Assets', as per which such expenses should be charged to the Profit & Loss Account in the year it was incurred. (Refer Note No. 10).



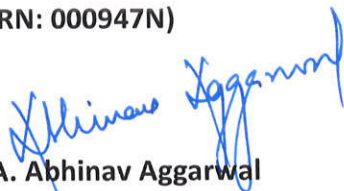
- d) The company is in the process of compiling certain data and reconciling the amounts billable, receivable & payable under the various agreements entered into with various States, Urban Local Bodies (ULB's) and other organizations under its Energy Service Company (ESCO) model and other projects, verification of physical inventory and assets under the scheme & otherwise and reconciliation as to assets to be installed, assets installed pending capitalization & assets capitalized (including capitalization of related direct & indirect cost including salaries, interest on loans/ bonds and forex gain/loss etc.) and assets against which revenue is booked (as per applicable Indian Accounting Standards) as per the agreements. We are unable to comment upon the differences that may exist and their impact on various account heads such as Capital Work in Progress, Property Plant & Equipment, Inventories, Trade Receivable / Payable, revenue recognition and any other consequential impact on the statement if any, pending completion of such verification and reconciliation. (Refer Note No. 11).
- e) The company has entered into agreements with Municipal Corporation for replacement of old conventional streetlights with LED Energy efficient streetlights. The Company carries certain amounts in CWIP pertaining to various projects which are under various stages of completion and have not been capitalized in the books of accounts, irrespective of the fact that the asset may be available for use / non – receipt of completion certificates from Municipal Corporation, which is inconsistent with the provisions of Ind AS 16 on Property Plant and Equipment wherein the projects need to be capitalized and depreciated when it is available for use. The impact of this cannot be ascertained by the company as it needs to carry out an exercise to ascertain the various projects where the asset is available for use but the completion certificate from the Municipal Corporation is pending.
- 3.2 The Company has recognised revenue under agreements with ULB's based on certain assumptions / estimates like the start date of the project is taken as the date of completion specified in the first Completion Certificate received from the ULB, the actual expenses towards PMC, AMC, interest (including indirect finance costs), pre/post tax return on equity (in few cases), are more / at a certain percentage which is different from the percentage specified in the agreement. The company is in the process of analyzing all agreements to seek necessary clarifications on such and other matters and shall formalize all agreements accordingly. We are unable to comment upon the impact of these assumptions pending such clarifications and formalization of agreements. (Refer Note No. 12 a.)
- 3.3 The Company has not disclosed the segment information as required under para 2.3 of Securities and Exchange Board of India circular No. CIR/CFD/FAC/62/2016 dated July 05, 2016.
- 3.4 The Internal Financial Controls over financial reporting in financial statements needs to be strengthened including the internal financial controls with regard to the matters stated above.



4 *Qualified Conclusion*

Based on our review, with the exception of the matters described in the paragraph 3, nothing has come to our attention that causes us to believe that the Financial Statements, prepared in accordance with applicable laws, has not disclosed the information required to be disclosed in terms of Regulation 52 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, as modified by circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 and circular No. CIR/IMD/DFI/69/2016 dated August 10, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For K K Soni & Co.
Chartered Accountants
(FRN: 000947N)



CA. Abhinav Aggarwal
Partner
(Membership No. – 517358)



Place: New Delhi
Date: 31.08.2020

ENERGY EFFICIENCY SERVICES LIMITED
Registered Office: NFL Building, 5th & 6th Floor, Core – III,
SCOPE Complex, Lodhi Road, New Delhi – 110003
CIN: U40200DL2009PLC196789, **Website:** www.eeslindia.org,
E-mail: info@eesl.co.in

STATEMENT OF ASSETS & LIABILITIES

Particulars	(Rs. in Lakhs)	
	As at 31.03.2020	As at 31.03.2019
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant & equipment	2,58,901.67	1,80,131.30
Capital work-in-progress	1,44,324.76	1,21,967.55
Intangible assets	675.24	1,510.48
Investments in subsidiary & joint venture company	27,131.13	27,131.13
Financial Assets		
Loans	383.56	493.95
Other financial assets	9,028.11	4,579.81
Deferred tax assets (net)	654.61	-
Other non-current assets	1,625.93	1,350.64
Total non-current assets	4,42,725.01	3,37,164.86
Current assets		
Inventories	22,431.66	26,968.66
Financial assets		
Trade receivables	2,80,033.47	1,83,148.24
Cash and cash equivalent	33,106.74	42,482.84
Bank balances other than cash and cash equivalent	30,027.93	33,576.49
Loans	666.02	364.34
Other financial assets	4,915.04	8,263.18
Current tax assets (Net)	5,141.74	3,815.83
Other current assets	73,609.61	43,382.63
Total current assets	4,49,932.21	3,42,002.21
TOTAL ASSETS	8,92,657.22	6,79,167.07
EQUITY AND LIABILITIES		
Equity		
Equity share capital	98,332.84	67,520.44
Other equity	16,871.26	14,555.00
Total equity	1,15,204.10	82,075.44



Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	4,22,995.27	2,79,188.06
Trade Payables	7,553.41	6,431.19
Lease Liabilities	1,564.01	-
Other financial liabilities	21,846.73	40,680.09
Provisions	916.37	280.94
Deferred tax liabilities (net)	-	295.00
Other non-current liabilities	-	486.68
Total non-current liabilities	4,54,875.79	3,27,361.96
Current liabilities		
Financial liabilities		
Borrowings	78,999.99	62,678.99
Trade payables	1,21,045.71	1,38,693.74
Lease Liabilities	1,588.94	-
Other financial liabilities	71,584.12	42,167.88
Other current liabilities	49,200.04	20,385.75
Provisions	29.48	11.66
Current Tax Liabilities (net)	129.05	5,791.65
Total current liabilities	3,22,577.33	2,69,729.67
TOTAL EQUITY AND LIABILITIES	8,92,657.22	6,79,167.07



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STANDALONE STATEMENT OF FINANCIAL RESULTS FOR THE HALF YEAR ENDED
31.03.2020

(Rs. In Lacs except per share data)					
S. No.	Particulars	Half year period ended 31st March 2020	Half year period ended 31st March 2019*	Year to Date ended 31st March 2020	Year ended 31st March 2019*
		Unaudited	Unaudited	Unaudited	Audited
1	INCOME				
	Revenue from Operations	1,06,789.27	1,16,870.24	1,78,125.95	1,83,765.24
	Other Income	4,725.92	7,011.30	7,600.94	9,802.16
	Total (A)	1,11,515.19	1,23,881.54	1,85,726.89	1,93,567.40
2	EXPENSES				
	Purchase of Stock in Trade	28,759.39	55,570.79	59,477.14	92,815.02
	Distribution Expenses (Ujala)	788.05	1,057.67	1,031.78	2,119.29
	Media Expenses (Ujala)	(7.65)	514.93	672.93	2,630.99
	(Increase)/ Decrease in inventories	10,281.99	6,974.87	4,537.00	3,024.75
	Employee Benefits Expenses	2,112.42	783.12	3,881.95	2,840.42
	Finance Costs	22,216.00	10,330.82	35,143.94	19,275.23
	Depreciation and Amortization Expenses	23,997.06	23,683.56	44,855.22	35,182.47
	Other Expenses	22,375.23	11,777.52	34,093.51	21,095.09
	Total (B)	1,10,522.49	1,10,693.28	1,83,693.47	1,78,983.26
3	Profit Before Tax (A)-(B)	992.70	13,188.26	2,033.42	14,584.14
4	Tax Expenses:				
	Current Tax- Current Year	(1,873.49)	6,618.23	129.05	7,060.62
	-Earlier Years	(593.75)	-	(593.75)	-



	Deferred Tax (Net)	3,238.41	(687.03)	(952.88)	59.58
5	Net Profit /Loss After Tax	221.53	7,257.06	3,451.00	7,463.94
	Other comprehensive income:				
	(i) Items that will not be reclassified to profit or loss (net of tax)	57.20	(47.23)	9.06	(22.14)
6	Other comprehensive income for the year, net of income tax	57.20	(47.23)	9.06	(22.14)
7	Total comprehensive income for the period	278.73	7,209.83	3,460.06	7,441.80
8	Paid Up Equity Share Capital (Face value Rs.10/- per Share)	98,332.84	67,520.44	98,332.84	67,520.44
9	Paid up Debt Capital	4,22,995.27	2,79,188.06	4,22,995.27	2,79,188.06
10	Reserves excluding Revaluation Reserves as per the Balance Sheet of the previous accounting year	16,871.26	14,555.00	16,871.26	14,555.00
11	Net Worth	1,15,204.10	82,075.44	1,15,204.10	82,075.44
12	Debenture Redemption Reserve	15,682.05	15,126.44	15,682.05	15,126.44
13	Earnings Per Share (EPS)				
	Basic in Rs.	0.02	1.07	0.38	1.14
	Diluted in Rs.	0.02	1.07	0.37	1.12
14	Debt Equity Ratio	3.67	3.40	3.67	3.40
15	Debt Service Coverage Ratio	1.50	4.79	1.86	3.73
16	Interest Service Coverage Ratio	3.56	6.29	3.48	4.99

*Restated

Notes:

1. The financial results have been prepared in accordance with the requirements of Regulation 52 of the SEBI (listing Obligation and disclosure Requirement) Regulations, 2015 as modified by Circular No.CIR/CFD/FAC/62/2016 dated 05.07.2016 and Circular No. CIR/IMD/DF1/69/2016 dated 10.08.2016 and SEBI/HO/CFD/CMD1/CIR/P/2020/106 dated 24.06.2020 and applicable Accounting Standards (Ind-AS) specified under Section 133 of the Companies Act, 2013 read with relevant Rules and other recognised accounting practices and policies generally accepted in India.
2. The above financial results have been duly reviewed and recommended by the Audit Committee and approved by the Board of Directors in their respective meetings held on 31st August,2020. As on date, the Company is in the process of appointment of Independent Directors on its Board.
3. No Complaints were received from Debenture holder(s) and thus none were pending as on 31st March, 2020.
4. Formula for computation of ratios are as follows:
Debt equity ratio: Debt/ Equity, where Equity comprises of Equity share capital (Rs. 98332.84 lakhs) and Other equity (Rs. 16871.27 lakhs). Debt comprises of Bonds and Long Term



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Borrowings of the Company (Rs. 422995.27 lakhs), which is net of current maturities (Rs. 41158.37 lakhs); (figures are as on 31.03.20).
DSCR: PBDIT (Rs. 82032.58 lakhs) / (Repayments (Rs. 204.34.79 lakhs) + Interest & finance charges (Rs. 23577.82 lakhs) pertaining to Long Term Borrowings; (figures are as on 31.03.20).
ISCR: PBDIT (Rs. 82032.58 lakhs) / Interest & finance charges (Rs. 23577.82 lakhs) pertaining to Long Term Borrowings; (figures are as on 31.03.20).

5. The Listed Non-convertible Bonds of the company aggregating to Rs.375.00 crores as at 31st March, 2020 are secured by pari passu charge on the movable fixed assets of the Company both present and future. The Company has maintained 100% asset cover sufficient to discharge the principal amount of the said debentures in terms of the Regulation 54 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
6. The company has following Unsecured Listed Debt Securities.
- 4500 Unsecured, Redeemable, Taxable, Non-Cumulative, Non-Convertible Bonds in the nature of Debenture of the Face Value of Rs.10 lakhs each of Cash at Par amounting to Rs.450 Crore- Series-II (2017-18) issued on 18th July, 2017 at coupon rate of 7.80% p.a.
 - 2000 Unsecured, Redeemable, Taxable, Non-Cumulative, Non-Convertible Bonds in the nature of Debenture of the Face Value of Rs.10 lakhs each of Cash at Par amounting to Rs.200 Crore- Series-III (2017-18) issued on 10th January, 2018 at coupon rate of 8.15% p.a.
 - 1250 Unsecured, Redeemable, Taxable, Non-Cumulative, Non-Convertible Bonds in the nature of Debenture of the Face Value of Rs.10 lakhs each of Cash at Par amounting to Rs.125 Crore- Series-IV (2017-18) issued on 29th January, 2018 at coupon rate of 8.29% p.a.
7. The COVID-19 pandemic has been rapidly spreading throughout the world, including India and other countries and governments have been taking significant measures to curb the spread of the virus including imposing mandatory lockdowns and restriction in activities. The Company has made an initial assessment of its likely adverse impact on business and its associated financial risks. The Company is in the business of implementing energy efficiency projects (ESCO) and other projects which are of public importance, emphasised to be an essential service. By taking a number of proactive steps, the company ensured continued operations in nearly all areas including implementation, operations and maintenance of street lights, solar and smart meter projects. In a few cases, capitalization (resultant revenue booking) and supply & execution of certain projects may have been delayed but the company does not envisage any material impact on the profits and financial position of the Company. As a matter of abundant caution the company has issued notices under 'force majeure' clause, wherever necessary, under its agreements with clients. The Company believes that the impact due to the outbreak of COVID-19 is likely to be short-term in nature and does not anticipate any medium to long-term risks in the Company's ability to continue as a going concern. Impact assessment of COVID-19 is a continuing process considering the uncertainty involved thereon. The company will continue to closely monitor any material changes to the future economic conditions and assess its impact thereon.
8. The trade receivables as on 31.03.2020 are Rs. 2,80,033.47 lakhs. The Company earns its revenue mainly from government controlled entities (both central and state government). As these entities are government controlled, the counter party risk attached to such receivables are considered to be insignificant. For rest of the customers, Company is evaluating its credit risk by taking into



consideration the ageing of the dues, specific credit circumstances, nature of the customers and credit worthiness of the customers.

The trade receivables are considered in default (credit impaired) when the possibility of recovery of receivables based on assessment/evaluation on the parameters stated above are deteriorating and are required to be provided for allowance on doubtful receivables in a systematic manner. The Company has not experienced any significant impairment losses in respect of trade receivables in the past years. Since the Company has its customers within different states of India, geographically there is no concentration of credit risk.

9. The Company has customers with capacity to meet the obligations and therefore the risk of default is low. Further, management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour. However, the Company has made a provision for doubtful receivables of Rs. 196.65 Lakhs during the period ended 31.03.2020 (Rs. 393.29 Lakhs for the previous year ended on 31.03.2019) i.e., to the extent of 10% of the total outstanding of Rs. 1966.40 Lakhs, thereby making a total provision of Rs. 589.93 Lakhs i.e., 30% of total Outstanding as on 31.03.2020, in respect of cases which are under litigation for recovery. Further the Company is in the process of evaluating the credit risk of non-government controlled customers and has made a provision of Rs.850 lakhs, in respect of amount outstanding for more than 360 days as on 30th September,2019 in respect of such customers, pending evaluation/assessment of their credit risk.
10. Brought forward balance of prepaid media awareness & advertisement expenses on DELP/UJALA as on 01.04.2019 is Rs. 4,287.50 lakhs, out of which an amount of Rs. 1,071.87 lakhs has been charged to P&L account as media & advertisement expenses during the Financial year 2019-20. The company continues to defer and carry the balance amount of Rs. 3,215.63 lakhs as Prepaid Expenditure shown under the head Other Current Assets in the Financial Statements.
11. The company has entered into Agreements with various States, Urban Local Bodies (ULBs) and other organisations under its Energy Service Company (ESCO) model, wherein the company undertakes upfront investments for projects (along with maintenance and warranty obligations, covered back to back with agreements with various suppliers) which are recovered through mutually agreed periodic amounts under the agreements. The company is in the process to compile certain data and reconciling the amounts billable, receivable & payable under the various agreements, verification of physical inventory and assets under the scheme & otherwise and reconciliation as to assets to be installed, assets installed pending capitalisation & assets capitalized (including capitalisation of related direct & indirect cost including salaries, interest on loans/ bonds and forex gain/loss) and assets against which revenue is booked (as per applicable Indian Accounting Standards). The company does not expect any major differences that may arise post such verification, and shall account for the differences, if any, post completion of the said exercise.
12. a). The Company has recognised revenue under agreements with ULB's based on certain assumptions / estimate like the start date of the project period is taken as the date of completion specified in the first Completion Certificate received from the ULB, the actual expenses towards PMC, AMC, interest (including indirect finance costs), pre/post tax return on equity (in few cases), are more/at a certain percentage which is different from the percentage specified in the agreement. The Company is in the process of analysing all agreements to seek necessary clarifications on such and other matters and shall formalise all agreements accordingly.
b). The billing in the previous years commenced from next month of the month of completion mentioned in the completion certificate except in the case where the date of completion is the first day of the month, in which case the billing was done for the same month.



13. The Company has retrospectively restated its financial statements in accordance with 'Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors' for the reasons stated below:
- In the previous year, the Company capitalised the projects on the basis of Completion Certificates (CC) received from the ULBs. The Company has received certain CC for projects wherein the completion dates mentioned in the certificate falls in the previous year. For such projects, the Company has capitalised such assets from the previous year and has restated and increased the depreciation expense by Rs. 1161.03 lakhs for FY 18-19.
 - Re-classification of non-current trade payables in FY 18-19 between trade payables for projects and trade payables for trading has resulted in decline in profit before tax of Rs. 1174.55 lakhs in FY 18-19.
 - The Company has recognised finance cost of Rs. 193 lakhs in FY 18-19 on account of borrowing cost inadvertently capitalised in the said year.
 - The above mentioned adjustments resulted in decline of deferred tax expense by Rs. 481.72 lakhs in FY 18-19.
14. The figures for half year ended 31st March 2019 are not subjected to limited review or audit. The company has exercised necessary due diligence to ensure that the said comparative results provide a true & fair view of its affairs.
15. Previous year figures have been regrouped/ rearranged wherever necessary.
16. The Statutory Auditors of the Company have carried out a Limited Review of the financial results for the half year and financial year ended 31st March, 2020.

For Energy Efficiency Services Limited



Saurabh Kumar
Executive Vice Chairman

Date: 31.08.2020
Place: New Delhi



S. Gopal
Managing Director & CFO

