INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Energy Efficiency Services Limited

Report on Standalone Statement of Financial Results

1. We have audited the accompanying 'Standalone Statement of Financial Results' of Energy Efficiency Services Limited ("the Company") for the year ended March 31, 2019 ("the Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 of the Securities 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.

2. The Statement is the responsibility of the Company's Management and is approved by the Board of Directors of the Company. The Statement has been compiled on the basis of the audited annual Standalone Financial Statements as at and for the year ended 31 March 2019 which were prepared in accordance with the Indian Accounting Standards prescribed under Sec 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other accounting principles generally accepted in India and relevant requirements of the Regulation and Circulars mentioned above. Our responsibility is to express an opinion on the Statement based on our audit of such annual Standalone Financial Statements.

3. We conducted our audit in accordance with the Standards on Auditing issued by The Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control including internal financial controls over financial reporting in financial statements, relevant to the Company's preparation and fair representation of the Statement in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Statement and examining on a test basis, evidence supporting the amounts disclosed in the Standalone Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

4. **Basis of Qualified Opinion:**

4.1 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 organisations under its Energy Service Company (ESCO) model, 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) and assets against which revenue is booked (as per applicable Indian Accounting Standards) as per the agreements. We

K K Soni & Co. ★ New Delhi ★ Chartered Accountants 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. 10).

4.2 Trade receivables are due from government-controlled entities and other customers. Significant amount of Rs. 60454.34 Lakhs is outstanding for the period of more than 360 days as on 31 March 2019 (Rs. 52132.95 Lakhs for the previous year ended 31.03.2018). 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 non-government-controlled entities/customers. The company has not furnished any records or evidences to demonstrate that such an evaluation and assessment has been carried out. Therefore, we are unable to quantify the impact on the statement on account of any possible allowance on doubtful trade receivables due to expected credit loss once such evaluation is done. (Refer Note No. 11).

4.3 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 year ended 31.03.2019 (Rs. 196.64 Lakhs for the previous year ended on 31.03.2018) i.e., to the extent of 10% of the total outstanding of Rs. 1966.40 Lakhs, thereby making a total provision of Rs. 393.29 Lakhs i.e., 20% of total Outstanding as on 31.03.2019, 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. 12)

4.4 The company had deferred 'Advertisement Expenses' amounting Rs. 4907.39 Lakhs in the previous years, from which it has charged an amount of Rs. 619.89 Lakhs in the Statement of Profit & Loss for the year ended 31.03.2019 as Media Expenses. The company continues to defer and carry the balance amount of Rs 4287.50 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. (Refer Note. 13)

4.5 The company has entered into agreements with Municipal Corporation for replacement of old conventional streetlights with LED Energy efficient streetlights. The Company follows the practice to capitalize these assets in the books of accounts from the date of capitalization as indicated in the certificate issued by Municipal Corporation and the depreciation is charged accordingly from the date of capitalization which is inconsistent with the provisions of Ind

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AS 16 on Property Plant and Equipment wherein the projects need to be capitalized and depreciated when it is available for use.

a) In the current year the company has received certain completion certificates from the municipal corporation(s), wherein the completion dates mentioned in the certificate falls in the previous year. The company has capitalised these assets in the books of accounts from the completion dates as indicated in the certificates and has charged depreciation of Rs 2135.02 Lakhs on these assets in the Statement of Profit & Loss in current financial year which pertain to the previous year, which is inconsistent with the provisions of Ind AS 8 on 'Accounting Policies, Change in Accounting Estimates and Errors', wherein the Prior Period error has to be corrected by restating the comparative amounts. This has resulted in the understatement of Profit for the current year and overstatement of the profit for the previous year to that extent. (Refer Note No.14).

b) Further, in the current year, the CWIP carries amounts pertaining to various projects which are under various stages of completion and have not been capitalised in the books of accounts due to non – receipt of completion certificates from Municipal Corporation, irrespective of the fact that the asset may be 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.

5. In our opinion and to the best of our information and according to the explanations given to us, except for possible effect of the matters given in Basis for Qualified Opinion (Para 4 above), the Statement:

(i) Is presented in accordance with the requirements of Regulation 52 of the Securities 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 and

(ii) Gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India of the net profit and other financial information for the year ended March 31, 2019 as well as the year to date results for the period from 1st April, 2018 to 31st March 2019.

6. Emphasis of Matter

We draw attention to the following matters in the Notes to the Statement:

a) The Company has recognised revenue under agreements with ULB's based on certain assumptions / estimates for which it is seeking clarifications from the respective ULB. (Refer Note No.16).

b) The balances appearing under Trade Receivables, Trade Payables, GST Input / Output, Advances are subject to confirmation, reconciliation and consequential adjustments, if any. (Refer Note No.15)

Our opinion is not modified is respect of these matters.

7. Other Matters

7.1 We did not audit the financial information of one branch of the company in London whose financial information have been included in the statement of the company. These financial information, which reflect total assets of Rs. 717.61 Lakhs as at 31 March 2019 and total

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income of Rs. 282.24 Lakhs for the half year ended 31 March 2019 and Rs. 561.02 Lakhs for the year ended 31 March 2019, are unaudited and certified by the management.

7.2 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 in Para 4 above, Revenue contracts, Purchases, Trade receivables /payables, Inventory etc.

Our opinion is not modified is respect of these matters.

For **K K SONI & CO**
CHARTERED ACCOUNTANTS
FRN: 000947N

S. S. SONI
PARTNER
MEMBERSHIP NO: 094227

Place: New Delhi
Date : 27 May 2019

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

(Rs in Lakhs)

Particulars	As at 31.03.2019	As at 31.03.2018
	Audited	Audited
ASSETS		
Non-current assets		
Property, plant & equipment	1,83,288.82	83,372.59
Capital work-in-progress	1,21,606.23	1,29,348.91
Intangible assets	1,510.48	1,576.08
Investments in subsidiary & joint venture company	27,131.13	19,369.08
Financial Assets		
Loans	493.95	465.93
Other financial assets	4,579.81	1,848.02
Other non-current assets	1,350.64	1,683.56
Total non-current assets	**3,39,961.06**	**2,37,664.17**
Current assets		
Inventories	26,968.66	29,993.41
Financial assets		
Trade receivables	1,83,148.24	1,16,182.54
Cash and cash equivalent	42,482.84	52,061.67
Bank balances other than cash and cash equivalent	33,576.49	5,437.22
Loans	364.34	153.34
Other financial assets	8,263.18	5,603.80
Current tax assets (Net)	3,815.83	2,545.68
Other current assets	43,563.29	25,104.29
Total current assets	**3,42,182.87**	**2,37,081.95**
TOTAL ASSETS	**6,82,143.93**	**4,74,746.12**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	67,520.44	46,200.00
Other equity	16,476.09	18,242.96
Total equity	**83,996.53**	**64,442.96**

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Liabilities		
Non-current liabilities		
Financial liabilities		
Trade Payables	11,801.46	-
Borrowings	2,79,188.06	1,75,420.16
Other financial liabilities	40,680.09	8,019.85
Provisions	280.94	410.39
Deferred tax liabilities (net)	709.60	180.29
Other non-current liabilities	486.68	624.93
Total non-current liabilities	**3,33,146.83**	**1,84,655.62**
Current liabilities		
Financial liabilities		
Borrowings	62,678.99	63,500.00
Trade payables	1,33,964.64	1,28,526.81
Other financial liabilities	42,167.88	26,934.59
Other current liabilities	20,385.75	6,119.98
Provisions	11.66	566.16
Current Tax Liabilities	5,791.65	-
Total current liabilities	**2,65,000.57**	**2,25,647.54**
TOTAL EQUITY AND LIABILITIES	**6,82,143.93**	**4,74,746.12**

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STANDALONE STATEMENT OF FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.2019

					(Rs. In Lacs except per share data)
S. No.	Particulars	Half year period ended 31st March 2019	Half year period ended 31st March 2018	Year ended 31st March 2019	Year ended 31st March 2018
		Unaudited	Unaudited	Audited	Audited
1	**INCOME**				
	Revenue from Operations	1,16,870.24	78,202.70	1,83,765.24	1,35,594.27
	Other Income	7,011.30	2,678.93	9,802.16	5,476.03
	Total (A)	**1,23,881.54**	**80,881.63**	**1,93,567.40**	**1,41,070.30**
2	**EXPENSES**				
	Purchase of Stock in Trade	54,455.77	56,075.03	91,700.00	1,01,153.80
	Distribution Expenses (Ujala)	1,057.67	2,489.93	2,119.29	4,901.04
	Media Expenses (Ujala)	514.93	320.62	2,630.99	861.04
	(Increase)/ Decrease in inventories	6,974.87	(3,578.88)	3,024.75	(14,528.44)
	Employee Benefits Expenses	783.12	2,409.47	2,840.42	3,922.75
	Finance Costs	10,079.11	7,230.56	19,023.52	13,305.45
	Depreciation and Amortization Expenses	22,522.53	7,701.44	34,021.44	13,327.71
	Other Expenses	11,777.52	5,855.29	21,095.09	11,976.72
	Total (B)	**1,08,165.52**	**78,503.46**	**1,76,455.50**	**1,34,920.07**
3	**Profit Before Tax (A)-(B)**	**15,716.02**	**2,378.17**	**17,111.90**	**6,150.23**
4	**Tax Expenses:**				
	Current Tax- Current Year	6,618.23	283.22	7,060.62	1,606.52
	-Earlier Years	-	-	-	421.40
	Deferred Tax (Net)	(205.31)	1,119.63	541.30	176.06
5	**Net Profit /Loss After Tax**	**9,303.10**	**975.32**	**9,509.98**	**3,946.25**

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	Other comprehensive income:				
	(i) Items that will not be reclassified to profit or loss (net of tax)	(47.23)	(7.05)	(22.14)	(7.85)
6	**Other comprehensive income for the year, net of income tax**	**(47.23)**	**(7.05)**	**(22.14)**	**(7.85)**
7	**Total comprehensive income for the period**	**9,255.87**	**968.27**	**9,487.84**	**3,938.40**
8	Paid Up Equity Share Capital (Face value Rs.10/- per Share)	67520.44	46,200.00	67,520.44	46,200.00
9	Paid up Debt Capital	2,79,188.06	1,75,420.16	2,79,188.06	1,75,420.16
10	Reserves excluding Revaluation Reserves as per the Balance Sheet of the previous accounting year	16476.09	18,242.96	16,476.09	18,242.96
11	Net Worth	83996.53	64,442.96	83,996.53	64,442.96
12	Debenture Redemption Reserve	15,126.44	6,515.21	15,126.44	6,515.21
13	**Earnings Per Share (EPS)**				
	Basic in Rs.	1.38	0.85	1.46	0.85
	Diluted in Rs.	1.38	0.85	1.11	0.85
14	**Debt Equity Ratio**	**3.32**	**2.72**	**3.32**	**2.72**
15	**Debt Service Coverage Ratio**	**4.91**	**3.40**	**3.79**	**3.88**
16	**Interest Service Coverage Ratio**	**6.44**	**3.40**	**5.08**	**3.88**

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 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 27th May, 2019.

3. No Complaints were received from Debenture holder(s) and thus none were pending as on 31st March, 2019.

4. Previous year figures have been regrouped/ rearranged wherever necessary.

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5. Formula for computation of ratios are as follows:
Debt equity ratio: Debt/ Equity, where Equity comprises of Equity share capital and Other equity. Debt comprises of Bonds and Long Term Borrowings of the Company.
DSCR: PBDIT/ (Repayments + Interest & finance charges) pertaining to Long Term Borrowings
ISCR: PBDIT/ Interest & finance charges pertaining to Long Term Borrowings

6. The Listed Non- convertible Bonds of the company aggregating to Rs.500.00 crores as at March 31, 2019 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.

7. 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.

8. In terms of the SEBI circular CIR/CFD/CMD56/2016 dated 27th May, 2016, the company declares that the Auditors have issued Audit reports with qualified opinion on annual audited financial results for the FY ended on 31st March, 2019. Accordingly, Statement on Impact of audit Qualifications as per Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be submitted separately.

9. The above figures are before qualified opinion expressed by the Statutory Auditors in their Audit Report for the year ended March 31, 2019.

10. The company has entered into Agreements with various States, Urban Local Bodies (ULB's) 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 installments 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) and assets against which revenue is booked (as per applicable Indian Accounting Standards). The

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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.

11 The trade receivables as on 31.03.2019 are Rs. 183148.24 lakhs. The Company mainly 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 the 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 impairment loss allowance is being assessed by the company using life time ECL approach which is based on the business environment in which the company operates. 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.

12 The Company has made provision of Rs. 196.65 lakhs towards doubtful debts in the current year financial statements in respect of outstanding debtors mainly against whom cases for recovery are pending for arbitration/NCLT Courts.

13 Expenses incurred on advertisement / awareness on DELP / UJALA programme in a State is charged to statement of profit and loss in proportionate to LED bulbs distributed in current year vis-a-vis the total targeted LED bulbs distribution for that respective State at the beginning of year and balance amount is carried forward for charging to statement of profit and loss in subsequent years. Similarly expenses incurred on national media campaigning for DELP / UJALA programme is charged to statement of profit & loss in proportionate to the total LED bulbs distributed in current financial year vis-a-vis the overall targeted LED bulbs distribution under DELP/ UJALA programme at the beginning of the year and balance amount is carried forward for charging to statement of profit and loss in subsequent years. Accordingly, out of total expenditure Rs 4907.39 Lakhs balance brought forward from previous year 2017-18, Rs 619.89 lacs has been charged in Media /advertisement expenses during 2018-19 and Rs 4287.50 Lakhs has been carried forward as prepaid expenditure under the head, "Other Current Assets".

14. The company has entered into agreement with Municipal Corporation for replacement of old conventional streetlights with LED Energy efficient streetlights. The assets are capitalised in the books of accounts from the date of capitalization as indicated in the certificate issued by Municipal Corporation and the depreciation is charged accordingly from the date of capitalization. During the current financial year, the company has received certain completion certificates from the municipal corporation(s), wherein the completion dates mentioned in the certificates falls in the previous year. The company has capitalised these assets in the books of accounts from the completion dates as indicated in the certificates and has accordingly charged depreciation of Rs. 2135.03 lakhs on these assets in the P&L accounts in current financial year from the said respective dates.

15. The balances appearing under Trade Receivables, Trade Payables, GST Input / Output, Advances are subject to confirmation, reconciliation and consequential adjustments, if any.

16 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

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specified in the first Completion Certificate received from the ULB, the actual expenses towards PMC, AMC and interest (including indirect finance costs) are more than the percentage specified in the agreement, the billing commences 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 is done for the same month. The company is seeking necessary clarifications on such and other matters.

For Energy Efficiency Services Limited

Saurabh Kumar
Managing Director

S. Gopal
Director (Commercial) & CFO

Date: 27.05.2019
Place:Noida

K K Soni & Co
New Delhi
Chartered Accountants