K K SONI & CO.
CHARTERED ACCOUNTANTS

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 six month period ended on 30th September 2018, being submitted by the company pursuant to the requirements of Regulation 52 of the SEBI (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.

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3 *Basis for Qualified Conclusion*

3.1 As also qualified in the 'Independent Auditor's Report' for the Year ended on 31-03-2018;

a) Trade receivables are due from government-controlled entities (both central and state government) and other customers. Significant amount is outstanding for the period of more than 360 days which accounts for about 51% of total outstanding due as on 30-09-2018 (last year ended 45% of the total outstanding due). The company has represented that the Company earns its revenue mainly from government-controlled entities (both central and state government). As these entities are government controlled, the counter party risks attached to such receivables are considered to be insignificant. For rest of the customers, Company evaluates and manages 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 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.

However, as required under the above provisioning policy of the company, the management has not furnished 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. Therefore, we are unable to quantify the impact on the financial statements on account of possible allowance on doubtful trade receivables due to expected credit loss in case of default (except those which are under litigation for recovery). Also refer Note 13 to Financial statements.

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. 196.64 Lakhs (31 March 2017: Rs. Nil) was recognised during the year ended 31-03-2018 to the extent of 10% of the total outstanding of Rs. 1966.40 lakhs in respect of cases which are under litigation for recovery. The company has continued the provisioning at same levels without any change for the half year ended on 30-09-2018. In our opinion such cases are still to be 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. In absence of aforesaid evaluation of such cases by the management, we are unable to quantify the actual impact on the financial statements on account of further possible allowance on such doubtful trade receivables (which are under litigation for recovery) due to expected credit loss in case of default.

c) The company had deferred 'Advertisement Expenses' amounting Rs Rs. 49.07 crores as on 31.03.2018. During the half year ended on 30.09.2018, the company has charged an amount of Rs. 1.82 crores to the Profit & Loss Account and the balance amount o1 Rs. 47.25 crores has been continued to be deferred as Prepaid Expenses shown under the head Other Current Assets. Such treatment of revenue expenditure is

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not consistent with the principles enunciated under Ind AS 38, "Intangible Assets" and should have been charged to the Profit & Loss Account.

3.2 The company has entered into agreements with Municipal Corporation for replacement of old conventional streetlights with LED Energy efficient streetlights. The Company follows the policy 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 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 half 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 6.44 crores on these assets in the P&L account 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 half year and overstatement of the profit for the previous year to that extent. Refer Note No. 9 to the Financial Statements.

b) Further, in the current half 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.

3.3 The agreement with certain customers specifies that the company shall recover actual interest rate on debt deployed in project cost subject to a ceiling of 10%. Considering the wide fluctuations in the market interest rates, the company is presently considering 10% as debt cost while arriving at revenue billing to customers and no provisions has been made for the difference between the actual rate of Interest on Debt and 10% despite the actual rate being lower than 10% in certain cases. The impact of this non-provisioning has not been ascertained by the company as there are a large number of contracts and each contract would have to be evaluated. Refer Note No. 11 to the Financial Statements.

3.4 The company has entered into agreements with various Government entities for leasing of Electric Vehicles. These arrangements are considered as operating lease in the books of accounts by the company. As per the contract, the ownership of the E-Vehicles are to be transferred to the Government entities at the end of the lease term. As per Ind AS 17 on 'Lease' if the asset is to be transferred to the lessee at the end of the lease term, the same is to be treated as Finance lease and not the operating Lease. The Company has not complied with the requirements of Ind AS 17, by classifying the same as Operating lease. The impact of such cases could not be ascertained as each individual contract needs to be evaluated and then quantified. Refer Note No. 12 to the Financial Statements.

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3.5 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, Revenue contracts, Purchases, Trade receivables /payables, Inventory etc.

4 *Qualified Conclusion*

Based on our review, with the exception of the matters described in the paragraph 4, 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)

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Sant Sujat Soni
Partner
(Membership No. – 094227)

Place: New Delhi
Date: 12.11.2018

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ENERGY EFFICIENCY SERVICES LIMITED

Corporate Office: 4th Floor, Sewa Bhawan, R.K. Puram, New Delhi- 110 066

Registered Office: 1st Floor, PDIL Building, A-14, Sector-1, Noida-201301

CIN: U40200DL2009PLC196789, Website: www.eeslindia.org, E-mail: info@eesl.co.in

STATEMENT OF ASSETS & LIABILITIES

(Rs. in Lakhs)

Particulars	As at 30.09.2018	As at 31.03.2018
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant & equipment	1,23,506.39	83,372.59
Capital work-in-progress	1,35,207.51	1,29,348.91
Intangible assets	1,322.15	1,576.08
Investments in subsidiary & joint venture company	19,369.08	19,369.08
Financial Assets		
Loans	812.34	465.93
Other financial assets	1,107.37	1,848.02
Deferred Tax asset (Net)		-
Other non-current assets	3,012.33	1,683.56
Total non-current assets	**2,84,337.17**	**2,37,664.17**
Current assets		
Inventories	33,943.53	29,993.41
Financial assets		
Trade receivables	1,45,105.34	1,16,182.54
Cash and cash equivalent	34,776.62	52,066.97
Bank balances other than cash and cash equivalent	19,632.35	5,437.22
Loans	45.20	153.34
Other financial assets	8,099.71	6,333.58
Current tax assets (Net)	3,078.25	2,545.68
Other current assets	22,504.34	24,369.21
Total current assets	**2,67,185.34**	**2,37,081.95**
TOTAL ASSETS	**5,51,522.51**	**4,74,746.12**
EQUITY AND LIABILITIES		
Equity		
Equity share capital	67,520.44	46,200.00
Other equity	8,574.93	18,242.96
Total equity	**76,095.37**	**64,442.96**
Liabilities		
Non-current liabilities		

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Financial liabilities		
Trade Payables	7,807.11	-
Borrowings	2,11,841.55	1,75,420.16
Other financial liabilities	8,914.19	8,019.85
Provisions	291.50	410.39
Deferred tax liabilities (net)	940.37	180.29
Other non-current liabilities	602.74	624.93
Deferred Income		
Total non-current liabilities	**2,30,397.46**	**1,84,655.62**
Current liabilities		
Financial liabilities		
Borrowings	75,000.00	63,500.00
Trade payables	1,02,033.64	1,28,526.81
Other financial liabilities	50,053.89	26,934.59
Other current liabilities	17,925.23	6,119.98
Provisions	16.92	566.16
Current Tax Liabilities		-
Total current liabilities	**2,45,029.68**	**2,25,647.54**
TOTAL EQUITY AND LIABILITIES	**5,51,522.51**	**4,74,746.12**

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STANDALONE FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30TH SEPTEMBER, 2018

				(Rs. In Lacs except per share data)
S. No.	**Particulars**	**Half year period ended 30th September 2018**	**Half year period ended 30th September 2017**	**Year ended 31st March 2018**
		Unaudited	**Unaudited**	**Audited**
1	**INCOME**			
	Revenue from Operations	66895.00	57391.57	1,35,594.27
	Other Income	2790.86	2797.1	5,476.03
	Total (A)	**69,685.86**	**60,188.67**	**1,41,070.30**
2	**EXPENSES**			
	Purchase of Stock in Trade	37,244.23	45,078.77	1,01,153.80
	Distribution Expenses (Ujala)	1,061.62	2,411.11	4,901.04
	Media Expenses (Ujala)	2,116.06	540.42	861.04
	(Increase)/ Decrease in inventories	(3,950.12)	(10,949.56)	(14,528.44)
	Employee Benefits Expenses	2057.3	1,513.28	3,922.75
	Finance Costs	8944.41	6,074.89	13,305.45
	Depreciation and Amortization Expenses	11498.91	5,626.27	13,327.71
	Other Expenses	9317.57	6,121.43	11,976.72
	Total (B)	**68,289.98**	**56,416.61**	**1,34,920.07**
3	**Profit Before Tax (A)-(B)**	**1,395.88**	**3,772.06**	**6,150.23**
4	**Tax Expenses:**			
	Current Tax- Current Year	442.39	1,323.30	1,606.52
	-Earlier Years	-	421.40	421.40
	Deferred Tax (Net)	746.61	(943.57)	176.06
5	**Net Profit /Loss After Tax**	**206.88**	**2,970.93**	**3,946.25**
	Other comprehensive income:			

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	(i) Items that will not be reclassified to profit or loss (net of tax)	25.09	(0.80)	(7.85)
6	**Other comprehensive income for the year, net of income tax**	**25.09**	**(0.80)**	**(7.85)**
7	**Total comprehensive income for the period**	**231.97**	**2,970.13**	**3,938.40**
8	Paid Up Equity Share Capital (Face value Rs.10/- per Share)	67,520.44	46,200.00	46,200.00
9	Paid up Debt Capital	2,11,841.55	1,29,038.24	1,75,420.16
10	Reserves excluding Revaluation Reserves as per the Balance Sheet of the previous accounting year	8,574.93	9,043.91	18,242.96
11	Net Worth	76,095.37	55,243.91	64,442.96
12	Debenture Redemption Reserve	10,820.82	3,307.77	6,515.21
13	Earnings Per Share (EPS)			
	Basic in Rs.	0.03	0.64	0.85
	Diluted in Rs.	0.03	0.64	0.85
14	**Debt Equity Ratio**	**2.78**	**2.34**	**2.72**
15	**Debt Service Coverage Ratio**	**2.52**	**4.33**	**3.88**
16	**Interest Service Coverage Ratio**	**3.45**	**4.33**	**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 Indian 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 12th November 2018.

3. No Complaints were received from Debenture holder(s) and thus none were pending as on 30th September, 2018.

4. 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

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ISCR: PBDIT/ Interest & finance charges pertaining to Long Term Borrowings

5. The Listed Non- convertible Bonds of the company aggregating to Rs.500.00 cr as at September 30, 2018 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.

   a. 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.

   b. 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.

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

8. The company has entered into agreements 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 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 accordingly charged depreciation of Rs 6.44 crs on these assets in the P&L account in current financial year from the said respective dates. As the impact of above depreciation amount is not material in nature, the figures for last year has not been recasted.

9. The CWIP amount as stated in the accounts have not been capitalised in the books of accounts due to non – receipt of completion certificates from Municipal Corporation owing to the reasons such as non-installation of CCMS etc. The company is taking up the matters with the respective Municipal Corporations for issue of provisional completion certificate for capitalization of assets in the books of accounts.

10. The agreement with certain customers specifies recovery of interest on debt deployed in project cost at actuals rate subject to a ceiling of 10% while arriving at the amount of periodic revenue billing. Considering the wide fluctuations in the market interest rates, the company is presently considering 10% as debt cost while arriving at revenue billing to customers and no provisions has been made on this account.

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11. The company has entered into agreements with various Government entities for leasing of Electric Vehicles. These assets are considered as operating lease in the books of accounts. A few agreements in this regard require amendment to bring them with within the scope of operating lease. There is no material impact of such agreements on books of accounts.

12. The trade receivables as on 30.09.2018 are Rs.1451.05 crs which includes Rs 13.95 crs on account of late payment interest billed as per the agreements with APSPDCL & APEPDCL. 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 be insignificant. For rest of the customers, Company evaluates and manages 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 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.

13. The statutory auditors of the Company have carried out a Limited Review of the half year financial results ended 30th September 2018.

For Energy Efficiency Services Limited

Saurabh Kumar
Managing Director

Date: 12.11.2018
Place: Noida

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