

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 2019, 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.

3. *Basis for Qualified Conclusion*

3.1 As also qualified in the 'Independent Auditor's Report' for the Year ended on 31-03-2019;

- a) Trade receivables are due from government-controlled entities and other customers. Significant amount of Rs. 76985.07 Lakhs is outstanding for the period of more than 360 days as on 30th September 2019



(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 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. 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. 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 30.09.2019 (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 30.09.2019, 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 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 as Media/Advertisement Expenses. 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. (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, 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) 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. 12).

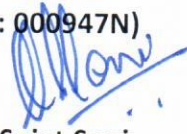


- e) The company has entered into agreements with Municipal Corporation for replacement of old conventional streetlights with LED Energy efficient streetlights. The Company follows the practice to capitalize these assets in the books of accounts from the date of capitalization as indicated in the certificate issued by Municipal Corporation and the depreciation is charged accordingly from the date of capitalization which is inconsistent with the provisions of Ind AS 16 on Property Plant and Equipment wherein the projects need to be capitalized and depreciated when it is available for use.
- i) 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 capitalized these assets in the books of accounts from the completion dates as indicated in the certificates and has charged depreciation of Rs1294.25 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. 11).
- ii) Further, in the current year, the CWIP carries amounts pertaining to various projects which are under various stages of completion and have not been capitalized 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.
- f) The Internal Financial Controls over financial reporting in financial statements needs to be strengthened.

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)


Sant Sujat Soni
Partner
(Membership No. – 094227)



Place: New Delhi
Date: 13.11.2019

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 30.09.2019	As at 31.03.2019
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant & equipment	2,11,461.62	1,83,288.82
Capital work-in-progress	1,36,334.86	1,21,606.23
Intangible assets	989.06	1,510.48
Investments in subsidiary & joint venture company	27,131.13	27,131.13
Financial Assets		
Loans	375.95	493.95
Other financial assets	6,327.16	4,579.81
Deferred Tax Assets (net)	3,498.19	-
Other non-current assets	3,146.76	2,530.15
Total non-current assets	3,89,264.73	3,41,140.57
Current assets		
Inventories	32,713.65	26,968.66
Financial assets		
Trade receivables	2,21,838.50	1,83,148.24
Cash and cash equivalent	39,293.01	42,482.84
Bank balances other than cash and cash equivalent	47,647.94	33,576.49
Loans	546.46	364.34
Other financial assets	7,369.20	8,263.18
Current tax assets (Net)	10,776.22	3,815.83
Other current assets	49,072.68	42,383.78
Total current assets	4,09,257.66	3,41,003.36
TOTAL ASSETS	7,98,522.39	6,82,143.93
EQUITY AND LIABILITIES		
Equity		
Equity share capital	98,332.84	67,520.44
Other equity	19,657.43	16,476.09
Total equity	1,17,990.27	83,996.53

Sumal



Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	3,85,049.15	2,79,188.06
Trade Payables	8,594.61	11,801.46
Lease Liabilities	931.93	
Other financial liabilities	32,692.32	40,680.09
Provisions	762.49	280.94
Deferred tax liabilities (net)	-	709.60
Other non-current liabilities	199.41	486.68
Total non-current liabilities	4,28,229.91	3,33,146.83
Current liabilities		
Financial liabilities		
Borrowings	50,327.89	62,678.99
Trade payables	1,26,225.17	1,33,964.64
Lease Liabilities	1,091.26	-
Other financial liabilities	42,914.78	42,167.88
Other current liabilities	22,286.99	20,385.75
Provisions	28.55	11.66
Current Tax Liabilities (net)	9,427.57	5,791.65
Total current liabilities	2,52,302.21	2,65,000.57
TOTAL EQUITY AND LIABILITIES	7,98,522.39	6,82,143.93

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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,
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**STANDALONE STATEMENT OF FINANCIAL RESULTS FOR THE HALF YEAR
ENDED 30.09.2019**

(Rs. In Lacs except per share data)				
S. No.	Particulars	Half year period ended 30th September 2019	Half year period ended 30th September 2018	Year ended 31st March 2019
		Unaudited	Unaudited	Audited
1	INCOME			
	Revenue from Operations	71,336.68	66,895.00	1,83,765.24
	Other Income	2,875.02	2,790.86	9,802.16
	Total (A)	74,211.70	69,685.86	1,93,567.40
2	EXPENSES			
	Purchase of Stock in Trade	30,717.75	37,244.23	91,700.00
	Distribution Expenses (Ujala)	243.73	1,061.62	2,119.29
	Media Expenses (Ujala)	680.58	2,116.06	2,630.99
	(Increase)/ Decrease in inventories	(5,744.99)	(3,950.12)	3,024.75
	Employee Benefits Expenses	1,769.53	2057.3	2,840.42
	Finance Costs	12,927.94	8944.41	19,023.52
	Depreciation and Amortization Expenses	20,858.16	11498.91	34,021.44
	Other Expenses	11,718.28	9317.57	21,095.09
	Total (B)	73,170.98	68,289.98	1,76,455.50
3	Profit Before Tax (A)-(B)	1,040.72	1,395.88	17,111.90
4	Tax Expenses:			
	Current Tax- Current Year	2,002.54	442.39	7,060.62
	Deferred Tax (Net)	(4,191.29)	746.61	541.30
5	Net Profit /Loss After Tax	3,229.47	206.88	9,509.98
	Other comprehensive income:			

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	(i) Items that will not be reclassified to profit or loss (net of tax)	(48.14)	25.09	(22.14)
6	Other comprehensive income for the year, net of income tax	(48.14)	25.09	(22.14)
7	Total comprehensive income for the period	3,181.33	231.97	9,487.84
8	Paid Up Equity Share Capital (Face value Rs.10/- per Share)	98,332.84	67,520.44	67,520.44
9	Paid up Debt Capital	3,85,049.15	2,11,841.55	2,79,188.06
10	Reserves excluding Revaluation Reserves as per the Balance Sheet of the previous accounting year	19,657.43	8,574.93	16,476.09
11	Net Worth	1,17,990.27	76,095.37	83,996.53
12	Debenture Redemption Reserve	18,807.05	10,820.82	15,126.44
13	Earnings Per Share (EPS)			
	Basic in Rs.	0.40	0.03	1.46
	Diluted in Rs.	0.36	0.03	1.11
14	Debt Equity Ratio	3.26	2.78	3.32
15	Debt Service Coverage Ratio	2.76	2.52	3.79
16	Interest Service Coverage Ratio	3.38	3.45	5.08

Notes:

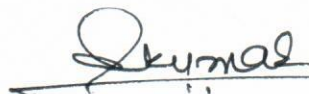
- The financial results have been prepared in accordance with the requirements of Regulation 52 of the SEBI (listing Obligation and disclosure Requirement) Regulations, 2015 as modified by Circular No.CIR/CFD/FAC/62/2016 dated 05.07.2016 and Circular No. CIR/IMD/DF1/69/2016 dated 10.08.2016 and applicable 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.
- 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 10th November, 2019 and 13th November, 2019.
- No Complaints were received from Debenture holder(s) and thus none were pending as on 30th September, 2019.
- Previous year figures have been regrouped/ rearranged wherever necessary.
- 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

K. K. Soni

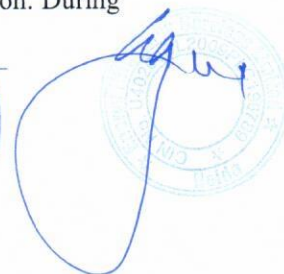


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6. The Listed Non- convertible Bonds of the company aggregating to Rs.500.00 crores as at 30th September, 2019 are secured by pari passu charge on the movable fixed assets of the Company both present and future. The Company has maintained 100% asset 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. The trade receivables as on 30.09.2019 are Rs. 2,21,838.50 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 made an additional provision of Rs. 196.65 lakhs towards doubtful debts in the half yearly financial statements in respect of outstanding debtors mainly against whom cases for recovery are pending for arbitration/NCLT Courts, thereby, the total provision for such cases is Rs.589.93 lakhs as on 30.09.2019. 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, being 5% of the amount outstanding for more than 360 days as on 30th September,2019 in respect of such customers, pending evaluation/ assessment of their credit risk. Further provisions could be recommended based on the assessment.
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 first half of Financial year 2019-20 and Rs. 3,215.63 lakhs has been carried forward as prepaid expenditure under the head "Other Current Assets" which shall be written off in the future.
11. 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. 1294.25 lakhs on these assets in the P&L accounts in the first half of the financial year from the said respective dates. To be equitable in its treatment, the revenues from the operations of these assets since the dates of capitalisation have also been booked in the current financial year. Since the completion certificates are issued in the current financial year, the company is of the view that previous year figures need not be restated as per the *Ind AS 8- 'Accounting Policies, Change in Accounting Estimates and Errors'*, defines prior period errors as omissions from, and misstatements in, the entities financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when the financial statements for those periods were approved for issue and could reasonably be expected to have been obtained and taken into account in the presentation of those financial statements. In the Company's assessment, the impact of said transaction is less than 5% of the profits of the Company for the financial year ending March 2019 and therefore considered "not material" as per Ind AS.


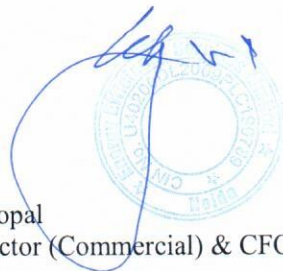
12. The company has entered into Agreements with various States, Urban Local Bodies (ULB's) and other organisations under its Energy Service Company (ESCO) model, wherein the company undertakes upfront investments for projects (along with maintenance and warranty obligations, covered back to back with agreements with various suppliers) which are recovered through mutually agreed periodic 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) 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.
13. 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 and interest (including indirect finance costs) are more than the percentage specified in the agreement. The company is seeking necessary clarifications on such and other matters.
14. The Statutory Auditors of the Company have carried out a Limited Review of the half year financial results ended 30th September, 2019.

For Energy Efficiency Services Limited



Saurabh Kumar
Managing Director

Date: 13.11.2019
Place: New Delhi



S. Gopal
Director (Commercial) & CFO

