

August 28, 2017

To

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

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

Scrip Code: 532907

Dear Sir/Madam,

Sub: Unaudited Financial Results for the Quarter Ended June 30, 2017

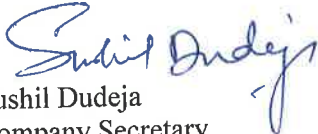
Ref: Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Unaudited Financial Results of the Company for the Quarter Ended June 30, 2017 as approved by the Board of Directors of the Company in its Meeting held on August 28, 2017 along with the Limited Review Report of the Statutory Auditors, S. R. Batliboi & Associates LLP

The meeting of Board of Directors of the Company commenced at 11.30 am and concluded at ~~2.35~~ 2.35 pm

Thanking you,

Yours faithfully,
For IL&FS Engineering and Construction Company Limited


Sushil Dudeja
Company Secretary

Encl: as above



**Review Report to
The Board of Directors
IL&FS Engineering and Construction Company Limited**

1. We have reviewed the accompanying statement of unaudited financial results of IL&FS Engineering and Construction Company Limited (the 'Company') for the quarter ended June 30, 2017 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.
2. The preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of Companies (Indian Accounting Standards) Rules, 2015 read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 is the responsibility of the Company's management and has been approved by the Board of Directors of the Company. Our responsibility is to express a conclusion on the Statement based on our review.
3. 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. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. As more fully explained in Note 3 of the accompanying statement, as at June 30, 2017, the Company has investment (including advance of Rs. 197 lakhs) amounting to Rs. 3,516 lakhs made in an overseas subsidiary. Based on the latest available unaudited financial statements of the aforesaid subsidiary as on March 31, 2017, the net worth of the subsidiary is fully eroded and the Company may have potential obligation to share further liabilities of the said subsidiary, which is presently under negotiation and hence undeterminable. Based on the reasons fully explained in the aforesaid note, the management is of the view that no provision is required for diminution in the value of such investment/potential obligation, as the Company is evaluating options to restore the carrying value of the investment. However, in the absence of sufficient and appropriate audit evidence, we are unable to comment on the carrying value of such investment, potential obligation and other consequential impacts, if any, that may be required in this regard in these accompanying standalone financial results.
5. As detailed in Note 4 of the accompanying statement, the Company's share of profit (net) for the quarter ended June 30, 2017 from Integrated Joint Ventures (JVs) in which the Company is a co-venturer aggregates to Rs. 132 lakhs. Management of the Company has represented that amounts included herein have been based on unaudited financial statements of the JVs and have not been subjected to a review. We are unable to comment on the consequential impact that may have been required had the financial statements of the joint ventures been made available and subjected to review.
6. Based on our review conducted as above, except for the possible effects, if any, of our observations in paragraphs 4 and 5, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in the applicable Indian Accounting Standards specified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements)



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

7. We draw attention to:

- a) Note 5 of the accompanying statement regarding Rs. 25,967 lakhs investment of the Company in Pass Through Certificates ("PTC") issued by the Maytas Investment Trust ("the Trust") and receivables, loans and advances and investments aggregating to Rs. 16,738 lakhs which are dependent upon recovery of capacity charges and supplies/ availability of natural gas to a gas based power generating plant, increase in traffic on road investments, final award of the claim and positive outcome of the litigations in the investee companies, etc. Based on internal assessment, legal advice and fair valuation, management does not currently envisage any diminution in the carrying value of aforesaid assets.
- b) Note 6 of the accompanying statement regarding amount due from customers (project work-in-progress). The Company had recognised claims in case of various projects of which balance as at June 30, 2017 aggregates to Rs. 29,298 lakhs and interest of Rs. 20,070 lakhs (including interest of Rs. 1,211 lakhs recognised during the quarter ended June 30, 2017) for non-payment of project dues, delays due to handing over of the land, drawings, etc. for project execution which are in various stages of arbitration/ appeal with Honorable High Court of New Delhi/ advanced stages of negotiations with customer and have been recognised based on Honorable Supreme Court order/ arbitration award/ completion of arbitration proceedings/ provisions in agreement and supported by the Extension of Time recommended by the Independent Engineers. Further, in one of the aforesaid projects, the customer has withheld an amount of Rs. 1,730 lakhs as liquidated damages for delays in project completion which is also dependent on the aforesaid judicial proceedings. Based on expert opinion and internal assessment, the management is of the view that the claims including interest are tenable and there exist no uncertainty as to ultimate collection.
- c) Note 7 of the accompanying statement regarding Inter Corporate Deposits (ICDs) amounting to Rs. 34,378 lakhs which is under litigation. Based on internal evaluation, other developments and expert advice, management is of the opinion that the Company has the ability to ultimately recover the aforesaid ICDs.

The ultimate outcome of the above matters cannot presently be determined, pending approvals, acceptances, legal interpretations, conclusion of legal proceedings, resolution of uncertainty around availability of gas, achievement of traffic projections, favourable settlement of claims and ultimate realisation etc., as referred to in the relevant notes to the accompanying statement referred above, and accordingly no adjustment has been made in the carrying value of the aforesaid assets. Our conclusion is not qualified in respect of the aforementioned matters.

8. We have not reviewed the accompanying financial results and other financial information for the quarter ended June 30, 2016, which have been presented solely based on the information compiled by Management and has been approved by the Board of Directors.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm registration number: 101049W/E300004


per **Vikas Kumar Pansari**
Partner
Membership No.: 093649



Hyderabad
August 28, 2017

IL&FS Engineering and Construction Company Limited

CIN: L45201AP1988PLC008624

Regd. Office : D No 8-2-120/113/3/4F, Sanali Info Park, Cyber Towers, Road No 2 , Banjara Hills, Hyderabad - 500033

Phone-040 40409333; Fax-040 40409444

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

Statement of Un-Audited financial results for the Quarter ended June 30, 2017

(Rs. In Lakhs, unless otherwise stated)

Particulars	Quarter ended	
	30-Jun-17	30-Jun-16
	(unaudited)	(unaudited) Refer Note 9 and 11
1. Revenue		
(a) Income from operations	46,478	40,692
(b) Other income	2,287	1,672
(c) Share of profit from integrated joint ventures	132	371
Total Revenue	48,897	42,735
2. Expenses		
(a) Cost of materials consumed	14,643	15,223
(b) Subcontracting expense	17,820	17,359
(c) Employee benefits expenses	3,135	2,959
(d) Finance cost	9,308	7,994
(e) Depreciation and amortization expenses	1,210	1,096
(f) Other expenses	6,486	4,853
Total expenses	52,602	49,484
3. Loss before tax from ordinary activities (1-2)	(3,705)	(6,749)
4. Tax expense	-	-
5. Net Loss after tax from ordinary activities (3-4)	(3,705)	(6,749)
6. Other Comprehensive Income/(expense)(net of tax)	(23)	9
7. Total comprehensive income for the period (5+6)	(3,728)	(6,740)
8. Paid-up equity share capital (Face Value of Shares is Rs. 10/- each)	13,112	12,116
9. Earnings per equity share (of Rs . 10/- each) (not annualised):		
a. Basic	(2.88)	(5.71)
b. Diluted	(2.88)	(5.71)
See accompanying notes to the Financial Results		



Notes to the financial results:

- (1) The above financial results were reviewed by the Audit Committee and approved by the Board of Directors of the Company at their respective Meetings held on August 28, 2017. These financial results were subjected to limited review by the Statutory Auditors of the Company
- (2) The Company's business activity falls within a single business segment i.e. Construction and Infrastructure development, in terms of Ind AS 108 on Operating Segments
- (3) As at June 30, 2017, the Company has made investment (including advance of Rs. 197 lakh) of Rs. 3,516 lakhs in an overseas subsidiary. Based on the latest available management certified financial statements of the aforesaid subsidiary as on March 31, 2017, the net worth of the subsidiary is fully eroded and the Company may have potential obligation to share further liabilities of the said subsidiary, which is presently under negotiation and hence undeterminable. Management is in discussion with the other shareholder of the subsidiary on various options and is confident to restore the carrying value of the investment and therefore no provision considered necessary for diminution in the value of such investment/potential obligations. In continuation to the previous year, the Statutory Auditors of the Company have qualified their limited review report for the quarter ended June 30, 2017
- (4) The financial results include the Company's share of profits (net) aggregating to Rs. 132 lakhs from Integrated Joint Ventures in which the Company is a Co-venturer, based on Management certified financial statements of the Joint Ventures. As the Integrated Joint Ventures do not present reviewed financial results on a quarterly basis, amounts included therein have not been subject to review by the Statutory Auditors of the respective Joint Ventures. The Statutory Auditors of the Company have qualified their limited review report for the quarter ended June 30, 2017
- (5) In the earlier years, pursuant to the Debt Restructuring Programme, the Company had settled an irrevocable trust, namely, Maytas Investment Trust (Trust). The objective of the Trust was to dispose certain underlying investments held and settle the liability towards the Pass Through Certificate (PTC) holders, wherein the Company was also a contributory. As at June 30, 2017, the Investment of the Company includes Rs. 25,967 lakhs contributed towards these PTCs and has receivables, loans and advances and investments aggregating to Rs. 16,738 lakhs which are dependent upon recovery of capacity charges and supplies/ availability of natural gas to a gas based power generating plant, increase in traffic on road investments, final award of the claim and positive outcome of the litigations in the investee companies, etc

Based on internal assessment, legal advice and fair valuation carried out by external experts of underlying investments held by the Trust, Management does not currently envisage any diminution in the value of aforesaid assets. In continuation to the previous year, the Statutory Auditors of the Company have drawn Emphasis of Matter in their limited review report for the quarter ended June 30, 2017
- (6) In the earlier years, the Company had accrued proportionate revenue to the extent of percentage of completion in case of various projects of which balance as at June 30, 2017 amounts to Rs. 29,298 lakhs and interest of Rs. 20,070 lakhs (including interest of Rs. 1,211 lakhs recognised during the quarter ended June 30, 2017) for non-payment of project dues, delays due to handing over of the land, drawings, etc. for project execution which are in various stages of arbitration/ appeal with Hon'ble High Court of New Delhi/ advanced stages of negotiations with customers and have been



recognised based on Honorable Supreme Court order/ arbitration award/ completion of arbitration proceedings/ provisions in agreement and supported by the Extension of Time recommended by the Independent Engineers. Further, in one of the aforesaid projects, the customer had withheld an amount of Rs. 1,730 lakhs as liquidated damages for delays in project completion which is also dependent on the aforesaid judicial proceedings

Since these claims are technical in nature and subject to judicial process, the Company has obtained legal opinion on the recoverability of such claims including interest from independent counsel. The Company has been legally advised that the amounts are good of recovery. On the basis of expert opinion and internal assessment, the Management is of the view that the claims including interest are tenable and there exist no uncertainty as to ultimate collection. Pending outcome of the judicial process, the above amounts are being carried as recoverable. In continuation to the previous year, the Statutory Auditors of the Company have drawn Emphasis of Matter in their limited review report for the quarter ended June 30, 2017

- (7) Prior to April 1, 2009, the erstwhile promoters had given certain Inter Corporate Deposits (ICDs) to various companies aggregating to Rs. 34,378 lakhs. Of the foregoing, documentary evidences had been established that, for an amount of Rs. 32,378 lakhs, the then Satyam Computer Services Limited (SCSL) was the ultimate beneficiary and for which a claim together with compensation receivable had been lodged by the Company. During the earlier years, SCSL had merged into Tech Mahindra Limited (TML) pursuant to a Scheme of Arrangement u/s.391-394 of the Companies Act, 1956. As provided in the Scheme and as per the Judgment of Hon'ble High Court of Andhra Pradesh on the said Scheme, the aforesaid amount in books of SCSL was transferred to TML. The Company, through its subsidiaries, preferred an Appeal before the Division Bench of Hon'ble High Court of Andhra Pradesh against the single judge's Order approving the merger scheme of SCSL which is pending as on date. TML, in its Audited Financial Results for the quarter ended June 30, 2017 continued to disclose as "Suspense Account (Net) Rs. 123,040 lakhs" as disclosed by SCSL earlier. Management is of the opinion that the claim made by the Company on SCSL is included in the aforesaid amount disclosed by TML in its Audited Financial Results. The Company is confident of recovering the said ICDs together with compensation due thereon from SCSL/TML

Further, based on internal evaluation and/or expert advice, other developments, documentary evidences available with the Company and in view of the observations of the Special Court in its verdict dated April 9, 2015 on the criminal case filed by the Central Bureau of Investigation, confirming that an amount of Rs. 142,500 lakhs was transferred to SCSL through the intermediary companies, out of which an amount of Rs. 123,040 lakhs continues to subsist with SCSL, Management is of the opinion that the Company's case on the recoverability of the aforesaid amounts is ultimately certain. In continuation to the previous year, the Statutory Auditors of the Company have drawn Emphasis of Matter in their limited review report for the quarter ended June 30, 2017

- (8) The Company has adopted Indian accounting Standards (Ind AS) from April 1, 2017 and these financial results have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013, read with the relevant rules issued thereunder. The date of transition to Ind AS is April 01, 2016. The impact of transition has been accounted for in the opening reserves and the comparative period figures have been reinstated accordingly.




- (9) The financial results and other financial information for the quarter ended June 30, 2016 has been compiled by the Management as per Ind AS, after exercising necessary due diligence, to ensure that the financial results provide true and fair view of the results in accordance with Ind AS. This information has not been subjected to any limited review or audit.
- (10) There is a possibility that these quarterly financial results may require adjustment before constituting the final Ind AS financial statements as of and for the year ending March 31, 2018 due to changes in financial reporting requirements arising from new or revised standards or interpretations issued by MCA or changes in the use of one or more optional exemptions from full retrospective application as permitted under Ind AS 101
- (11) The reconciliation to net loss as previously reported (referred to as "Previous GAAP") and Ind AS is as under:

(In Rs. Lakhs)

Particulars	Quarter ended June 30, 2016
Loss under previous Indian GAAP	(6,736)
Add / (less)	
Recognition of financial expense on liabilities with deferred payment terms	(62)
Provision for expected credit loss on financial assets	(25)
Actuarial gain on defined benefit obligation recognized in other comprehensive income	(9)
Impact on account of discounting and change in estimates of provision for future loss	26
Effect of changes in fair value of investments	25
Recognition of financial income on loans given at concessional rates	22
Others	10
Net Profit / (Loss) as per Ind AS	(6,749)
Other comprehensive income (net of tax)	9
Total comprehensive income under Ind AS	(6,740)

- (12) These financial results will be made available on the Company's Website viz., www.ilfsengg.com and websites of BSE Limited and National Stock Exchange of India Limited viz., www.bseindia.com and www.nseindia.com respectively

By Order of the Board
For IL&FS Engineering and Construction Company Limited


Mukund Sapre
Managing Director

Place: Hyderabad
Date: August 28, 2017

