

November 2, 2016

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: 532907

Scrip Code: IL&FSENGG

Dear Sir/Madam,

Sub: **Unaudited Financial Results for the Quarter and Half-Year Ended September 30, 2016**

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

Pursuant to Regulation 33 of Listing Regulations, please find enclosed Unaudited Financial Results of the Company for the Quarter and Half-Year Ended September 30, 2016 as approved by the Board of Directors of the Company in its meeting held on November 2, 2016 along with the Limited Review Report of the Statutory Auditors, S R Batliboi & Associates LLP

The meeting of Board of Directors commenced at 1.30 pm and concluded at 5.00 pm

This is for your information and records

Thanking you,

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


Sushil Dudeja
Company Secretary

Encl: as above



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

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Statement of Un-Audited financial results for the Quarter and Six months ended September 30, 2016

(Rs. In Lakhs, unless otherwise stated)						
Particulars	Standalone					
	Three months ended			Six Months ended		For the Year ended
	30-Sep-16 (Unaudited)	30-Jun-16 (Unaudited)	30-Sep-15 (Unaudited)	30-Sep-16 (Unaudited)	30-Sep-15 (Unaudited)	31-Mar-16 (Audited)
1. Income from operations						
(a) Income from operations	35,687	40,692	35,207	76,379	83,212	1,84,487
(b) Other operating income	-	-	-	-	-	-
Total Income from operations (net)	35,687	40,692	35,207	76,379	83,212	1,84,487
2. Expenses						
(a) Cost of materials consumed	11,675	15,223	16,674	26,898	35,346	77,195
(b) Employee benefits expenses	3,040	2,950	3,234	5,990	6,671	13,004
(c) Depreciation and amortisation expenses	1,213	1,096	1,010	2,309	2,226	4,366
(d) Subcontracting expenses	16,128	17,359	11,832	33,487	31,707	71,167
(e) Other expenses	5,775	4,877	4,977	10,652	10,146	21,030
Total expenses	37,831	41,505	37,727	79,336	86,096	1,86,762
3. Profit/(Loss) from operations before other Income, finance costs and exceptional items (1-2)	(2,144)	(813)	(2,520)	(2,957)	(2,884)	(2,275)
4. Other Income	2,038	1,607	1,964	3,645	3,440	13,434
5. Profit/(Loss) from ordinary activities before finance costs and exceptional items (3+4)	(106)	794	(556)	688	556	11,159
6. Finance costs	8,036	7,901	7,744	15,937	14,979	30,406
7. Profit/ (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(8,142)	(7,107)	(8,300)	(15,249)	(14,423)	(19,247)
8. Exceptional items	-	-	-	-	-	-
9. Profit/ (Loss) from ordinary activities before tax (7-8)	(8,142)	(7,107)	(8,300)	(15,249)	(14,423)	(19,247)
10. Tax expense	-	-	-	-	-	-
11. Net Profit / (Loss) for the period (9-10)	(8,142)	(7,107)	(8,300)	(15,249)	(14,423)	(19,247)
12. Share of Profit from integrated joint ventures	75	371	113	446	141	395
13. Net Profit / (Loss) after taxes, minority interest and share of profit/ (loss) of integrated joint ventures (11+12)	(8,067)	(6,736)	(8,187)	(14,803)	(14,282)	(18,852)
14. Paid-up equity share capital (Face Value of Shares is Rs. 10/- each)	12,116	12,116	12,116	12,116	12,116	12,116
15. Reserves excluding Revaluation Reserves as per balance sheet	-	-	-	-	-	(9,031)
16. Earnings per share (of Rs . 10/- each) (not annualised):						
(a) Basic	(6.80)	(5.70)	(7.30)	(12.50)	(12.90)	(16.65)
(b) Diluted	(6.80)	(5.70)	(7.30)	(12.50)	(12.90)	(16.65)
See accompanying note to the Financial Results						



IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED
STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2016

(Rs. In Lakhs, unless otherwise stated)

S No	Particulars	Standalone as at	
		30-Sep-16 (Unaudited)	31-Mar-16 (Audited)
A	Equity and liabilities		
1	Shareholders' Funds		
	(a) Share capital	21,391	21,391
	(b) Reserves and surplus	(23,834)	(9,031)
	Sub-total - Shareholders' funds	(2,443)	12,360
2	Non current liabilities		
	(a) Long term borrowings	1,23,272	1,38,863
	(b) Deferred tax liabilities (net)	-	-
	(c) Other long term liabilities	48,028	41,307
	(d) Long term provisions	1,806	1,641
	Sub-total - Non current liabilities	1,73,106	1,81,811
3	Current liabilities		
	(a) Short term borrowings	48,101	47,038
	(b) Trade payables	72,580	73,880
	(c) Other current liabilities	78,684	51,992
	(d) Short term provisions	5,930	4,949
	Sub-total - Current liabilities	2,05,295	1,77,859
	TOTAL - EQUITY AND LIABILITIES	3,75,958	3,72,030
B	ASSETS		
1	Non - current assets		
	(a) Fixed Assets	20,013	19,668
	(b) Non - current investments	32,833	32,654
	(c) Deferred tax assets (net)	-	-
	(d) Long term loans and advances	68,057	66,937
	(e) Other non - current assets	88,216	88,037
	Sub-total - Non - current assets	2,09,119	2,07,296
2	Current assets		
	(a) Inventories	88,995	83,021
	(b) Trade receivables	42,505	44,977
	(c) Cash and cash equivalents	2,423	2,098
	(d) Short - term loans and advances	26,450	27,787
	(e) Other current assets	6,466	6,851
	Sub-total - Current assets	1,66,839	1,64,734
	TOTAL - ASSETS	3,75,958	3,72,030



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 November 02, 2016 and 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 Accounting Standard 17 on Segment Reporting
- (3) The Board of Directors of the Company in its meeting held on August 11, 2016 has resolved, subject to statutory and other approvals, to raise by way of issue of preference shares on preferential basis and/or equity shares/convertible securities through QIP/Rights issue/public issue or in any combination thereof aggregating for an amount upto Rs. 50,000 lakhs to meet general corporate requirements. The members of the Company in their meeting held on September 23, 2016 have approved, subject to statutory and other approvals, issue of equity shares/convertible securities through QIP/Rights issue/public issue or in any combination thereof up to an amount of Rs. 50,000 lakhs
- (4) The Company has defaulted in redemption of 5,000,000 6% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) and 300,000 6% Cumulative Redeemable Preference Shares (CRPS) which were due for redemption on September 30, 2016. As specified above, the Company is in the process of raising incremental capital for an amount upto Rs. 50,000 lakhs within a period of six months. In view of the foregoing, the Company has requested the preference shareholders to sanction a curing period of six months for redemption of the said preference shares
- (5) As at September 30, 2016, the Company has made investment of Rs. 3,319 lakhs in an overseas subsidiary. Based on the latest available management certified financial statements of the aforesaid subsidiary as on March 31, 2016 and further communication received, 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 is required for diminution in the value of such investment/potential obligations. In continuation to the previous year/ quarter, the Statutory Auditors of the Company have qualified their Limited Review Report for the quarter and six months ended September 30, 2016
- (6) The financial results for the quarter and six months ended September 30, 2016 include the Company's share of profits (net) aggregating to Rs. 75 lakhs and Rs. 446 lakhs respectively 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. In continuation to the previous quarter, the Statutory Auditors of the Company have qualified their Limited Review Report for the quarter and six months ended September 30, 2016
- (7) 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 September 30, 2016, 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. 19,829 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/ quarter, the Statutory Auditors of the Company have drawn Emphasis of Matter in their Limited Review Report for the quarter and six months ended September 30, 2016

- (8) (i) In the earlier years, consequent to an arbitration award, the Company had accrued proportionate revenue to the extent of percentage of completion in case of a road project of which the balance as at September 30, 2016 amounts to Rs. 9,751 lakhs and accrued interest of Rs. 6,658 lakhs (including Rs. 466 lakhs and Rs. 929 lakhs recognized during the quarter and six months ended September 30, 2016 respectively). The customer had filed an appeal with the Honorable High Court of New Delhi against the said award and the hearings are on-going. The Company had filed a counter stating that the objections raised by the customer are beyond the scope of challenge allowable under law and the appeal is not legally tenable.
- (ii) During the previous year, the Company had accrued revenue of Rs. 8,551 lakhs and interest of Rs. 4,921 lakhs (including Rs. 304 lakhs and Rs. 605 lakhs recognised during the quarter and six months ended September 30, 2016) on account of compensation claimed by the Company for delays due to handing over of the land, drawings, etc. for project execution. The compensation is based on the provisions in the agreements, completion of arbitration proceedings and is supported by the Extension of Time recommended by the Independent Engineers.

Since these claims are technical in nature and subject to judicial process, the Company has obtained legal opinion on the recoverability of such claims 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 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/ quarter, the Statutory Auditors of the Company have drawn Emphasis of Matter in their Limited Review Report for the quarter and six months ended September 30, 2016

- (9) 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



A.P. 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 September 30, 2016 has disclosed as "Suspense Account (Net)" Rs. 123,040 lakhs. 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, the 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/quarter, the Statutory Auditors of the Company have drawn Emphasis of Matter in their Limited Review Report for the quarter and six months ended September 30, 2016

(10) 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

(11) Previous year/period figures have been regrouped and/or rearranged wherever necessary

By Order of the Board

For IL&FS Engineering and Construction Company Limited


Mukund Sapre
Managing Director



Place: Mumbai

Date: November 02, 2016

Limited Review Report**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 and six months ended September 30, 2016 (the "Statement"). This Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. 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.
3. As more fully explained in Note 5 of the accompanying statement, as at September 30, 2016, the Company has investment amounting to Rs. 3,319 lakhs made in an overseas subsidiary. Based on the latest available unaudited financial statements of the aforesaid subsidiary as on March 31, 2016 and further communication received, 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 financial results.
4. As detailed in Note 6 of the accompanying statement, the Company's share of profit (net) for the quarter and six months ended September 30, 2016 from Integrated Joint Ventures (JVs) in which the Company is a co-venturer aggregates to Rs. 75 lakhs and Rs. 446 lakhs respectively. 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 subject to review.
5. Based on our review conducted as above, except for the possible effects, if any, of our observations in paragraphs 3 and 4, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with applicable accounting standards 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) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.



6. We draw attention to:


- a) Note 7 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. 19,829 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 8 of the accompanying statement regarding amount due from customer (project work-in-progress). Based on an Arbitration award, the Company had recognised claims in case of a road project of which balance as at September 30, 2016 amounts to Rs. 9,751 lakhs and interest of Rs. 6,658 lakhs (including interest of Rs. 466 lakhs and Rs. 929 lakhs recognised during the quarter and six months ended September 30, 2016 respectively) against which the customer had filed an appeal with Honorable High Court of New Delhi.

Also, in the case of another road project, during the previous year, the Company had recognised claims, of which balance as at September 30, 2016 amounts to Rs. 8,551 lakhs and interest of Rs. 4,921 lakhs (including interest of Rs. 304 lakhs and Rs. 605 lakhs recognised during the quarter and six months ended September 30, 2016 respectively) for delays due to handing over of the land, drawings, etc. for project execution which is based on the provisions in the agreements, completion of arbitration proceedings and is supported by the Extension of Time recommended by the Independent Engineers. Based on expert opinion and internal assessment, the management is of the view that the claims are tenable and there exist no uncertainty as to ultimate collection.

- c) Note 9 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 and resolution of uncertainty around availability of gas, achievement of traffic projections, favorable settlement of claims and ultimate realisation etc., as referred to in the relevant notes to the accompanying statement referred above, 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.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration number: 101049W/E300004
Chartered Accountants



per Vikas Kumar Pansari
Partner
Membership No.:093649



Place: Mumbai
Date: November 02, 2016