

**Jindal Saw Gulf L.L.C.**  
**Abu Dhabi - United Arab Emirates**

**Independent auditor's report and the financial statements**  
**For the year ended March 31, 2018**

**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

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**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

General information

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F: +971 2 5506885  
Email: Kumar.amit@jindalsaw.com

Website : [www.jindalsaw.com](http://www.jindalsaw.com)

The Directors	Name	Nationality
	Mr. Prithavi Raj Jindal	Indian
	Mr. Sanjay Kumar Aggarwal	Indian
	Mr. Anil Kumar Kejriwal	Indian
	Mr. Ankit Shah	Indian

The Auditor : Horwath Mak  
P.O. Box: 262794  
Dubai - United Arab Emirates

The Banks : Commercial Bank of Dubai  
Commercial Bank International  
Emirates NBD  
Mashreq Bank

**Jindal Saw Gulf L.L.C.**  
Abu Dhabi - United Arab Emirates

**Directors' report**

Dear Stakeholders

This year our company operation was not the remarkable due to Geopolitical situations in the middle east and north African (MENA) region countries wherein all major infrastructure development has been stalled. By achieving the operational efficiency and cost optimization we were able to get better EBITDA margin in spite of lower sales volume and lower sales realization. This year our company added some value added product which is getting better realization and is unique in feature compare to the standard ductile iron pipes. We have spread our wings into the new region and geographically added some new countries. As of now we are exporting from UAE to Far east i.e. Vietnam on the one side of the globe and Brazil on the other hand. We have good order book in hand and hopefully we can expect a great year ahead.

We are presenting this report and the audited the financial statements for the year ended March 31, 2018.

**Principal activities of the Entity:**

The Entity is licensed by Department of Economic Development to manufacture all types of steel pipes and related accessories and pipelines and metal products coating.

**Financial review:**

The table below summarizes the results of 2018 and 2017 denoted in Arab Emirates Dirham (AED).

Revenue	<b>251,793,161</b>	222,280,799
Gross profit	<b>23,470,870</b>	30,370,786
Gross profit margin	<b>9%</b>	14%
(Loss) for the year	<b>(26,218,634)</b>	(25,461,760)

**Role of the Directors:**

The Directors are the Entity's principal decision-making forum. The Directors have the overall responsibility for leading and supervising the Entity for delivering sustainable shareholder value through his guidance and supervision of the Entity's business. The Directors sets the strategies and policies of the Entity. They monitor performance of the Entity's business, guide and supervise their management.

**Events after year end:**

In the opinion of the Directors, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

**Auditor:**

M/s. Horwath Mak, Dubai - United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.

**Statement of Directors' responsibilities:**

The applicable requirements, requires the Directors to prepare the financial statements for each financial year which present fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

The audited the financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables them to ensure that the financial statements comply with the requirements of applicable statute. The Director also confirms that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

We wish to acknowledge the support rendered by all the stakeholders including government authorities bank and financial institutions, client and customers, suppliers and vendors and many others whose support has been vital. We are confident that their good wishes and support would continue in future as well.

These the financial statements were approved by the Board and signed on behalf by the authorized representative of the Entity.

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**Director**  
**May 15, 2018**

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**Director**

Ref: JM/AR/18/11180

### **Independent auditor's report**

To,

The Shareholders

**M/s. Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the accompanying financial statements of **M/s. Jindal Saw Gulf L.L.C.**, Abu Dhabi - United Arab Emirates (the "Entity") which comprise the statement of financial position as at March 31, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Entity in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of management**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**


As required by the UAE Federal Law No. (2) of 2015, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Memorandum and Articles of Association of the Entity.
- 3 Proper books of accounts have been maintained by the Entity.
- 4 The contents of the Directors' report which relates to the financial statements are in agreement with the Entity's books of account.

**Report on other legal and regulatory requirements (continued)**

- 5 The Entity has not made any investments in shares and stocks during the year ended March 31, 2018.
- 6 Note 7 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as of March 31, 2018.

**For Horwath Mak**

  
**James Mathew FCA, CPA (USA)**  
Senior Partner  
Reg. No. 548

May 15, 2018



**Jindal Saw Gulf L.L.C.**  
Abu Dhabi - United Arab Emirates

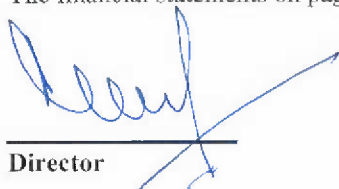
Statement of financial position as at March 31, 2018  
(In Arab Emirates Dirham)

	Notes	2018	2017
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	44,467,272	44,169,650
Intangible assets	5	1,105,373	795,317
<i>Total non-current assets</i>		<u>45,572,645</u>	<u>44,964,967</u>
<i>Current assets</i>			
Inventories	6	81,729,574	101,818,430
Due from related parties	7	12,199,182	1,989,888
Trade receivables	8	83,099,259	47,705,314
Advances, deposits and other receivables	9	11,834,453	11,401,323
Cash and bank balances	10	4,124,913	1,995,470
<i>Total current assets</i>		<u>192,987,381</u>	<u>164,910,425</u>
<b>Total assets</b>		<u><u>238,560,026</u></u>	<u><u>209,875,392</u></u>
<b>Shareholders' equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	11	300,000	300,000
Accumulated (losses)	12	(121,935,825)	(95,717,191)
Shareholder's current account	13	289,511,917	251,643,372
<i>Total shareholders' equity</i>		<u>167,876,092</u>	<u>156,226,181</u>
<i>Non-current liabilities</i>			
Long term loan from a related party	7	4,317,652	4,317,652
Employees' end of service benefits	14	2,903,655	2,459,653
Bank borrowings - non-current portion	16	24,667	83,839
<i>Total non-current liabilities</i>		<u>7,245,974</u>	<u>6,861,144</u>
<i>Current liabilities</i>			
Due to related parties	7	22,825,642	6,312,802
Trade and other payables	15	30,342,868	19,867,907
Bank borrowings - current portion	16	10,269,450	20,607,358
<i>Total current liabilities</i>		<u>63,437,960</u>	<u>46,788,067</u>
Total liabilities		<u>70,683,934</u>	<u>53,649,211</u>
<b>Total shareholders' equity and liabilities</b>		<u><u>238,560,026</u></u>	<u><u>209,875,392</u></u>

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.

The financial statements on pages 7 to 30 were approved on May 14, 2018 and signed on behalf of the Entity, by:

  
\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended March 31, 2018

(In Arab Emirates Dirham)

	Notes	2018	2017
Revenue	17	251,793,161	222,280,799
Cost of revenue	18	(228,322,291)	(191,910,013)
<b>Gross profit</b>		<b>23,470,870</b>	<b>30,370,786</b>
Other income	19	3,186,291	868,612
Selling and distribution expenses	20	(29,114,290)	(34,494,640)
Administrative expenses	21	(18,958,657)	(18,398,908)
Finance costs	22	(4,802,848)	(3,807,610)
<b>(Loss) for the year</b>		<b>(26,218,634)</b>	<b>(25,461,760)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(26,218,634)</b>	<b>(25,461,760)</b>

The accompanying notes form an integral part of these financial statements.

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The financial statements on pages 7 to 30 were approved on May 14, 2018 and signed on behalf of the Entity, by:

  
\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

Statement of changes in shareholders' equity for the year ended March 31, 2018  
(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2016	300,000	(70,255,431)	140,433,009	70,477,578
(Loss) for the year	-	(25,461,760)	-	(25,461,760)
Net movements during the year	-	-	111,210,363	111,210,363
Balance as at March 31, 2017	300,000	(95,717,191)	251,643,372	156,226,181
(Loss) for the year	-	(26,218,634)	-	(26,218,634)
Net movements during the year	-	-	37,868,545	37,868,545
<b>Balance as at March 31, 2018</b>	<b>300,000</b>	<b>(121,935,825)</b>	<b>289,511,917</b>	<b>167,876,092</b>

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.

**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

Statement of cash flows for the year ended March 31, 2018

(In Arab Emirates Dirham)

	2018	2017
<b>Cash flows from operating activities</b>		
(Loss) for the year	(26,218,634)	(25,461,760)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	5,820,071	5,553,270
(Gain) on disposal of property plant and equipment	(184,201)	(117,222)
Amortisation of intangible assets	58,710	14,786
Provision for employees' end of service benefits	1,116,033	886,492
Interest expense	3,799,427	2,854,137
<b>Operating (loss) before changes in operating assets and liabilities</b>	<b>(15,608,594)</b>	<b>(16,270,297)</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	20,088,856	7,458,540
Trade receivables	(35,393,945)	(27,769,829)
Advances, deposits and other receivables	(433,130)	2,826,508
Due from related parties	(10,209,294)	5,731,890
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	10,474,961	5,900,843
Long term loan from a related party	-	4,317,652
Due to related parties	16,512,840	(2,112,815)
<b>Cash (used in) operations</b>	<b>(14,568,306)</b>	<b>(19,917,508)</b>
Employees' end of services benefits paid	(672,031)	(520,444)
Interest expense paid	(3,799,427)	(2,854,137)
<b>Net cash (used in) operating activities</b>	<b>(19,039,764)</b>	<b>(23,292,089)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	1,070,753	954,830
Acquisition of intangible asset	(368,766)	(810,103)
Acquisition of property, plant and equipment	(7,004,245)	(4,984,754)
<b>Net cash (used in) investing activities</b>	<b>(6,302,258)</b>	<b>(4,840,027)</b>
<b>Cash flows from financing activities</b>		
(Repayment)/proceeds from bank borrowings (net)	(10,397,080)	19,984,031
Shareholder's current account	37,868,545	8,670,256
<b>Net cash from financing activities</b>	<b>27,471,465</b>	<b>28,654,287</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,129,443</b>	<b>522,171</b>
Cash and cash equivalents, beginning of the year	1,995,470	1,473,299
<b>Cash and cash equivalents, end of the year</b>	<b>4,124,913</b>	<b>1,995,470</b>
<b>Represented by:</b>		
Cash in hand	43,828	57,333
Cash at banks	4,081,085	1,938,137
	<b>4,124,913</b>	<b>1,995,470</b>

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 4 to 6.

## Jindal Saw Gulf L.L.C.

Abu Dhabi - United Arab Emirates

Notes to the the financial statements for the year ended March 31, 2018

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### 1 Legal status and business activities

- 1.1 M/s. Jindal Saw Gulf L.L.C., Abu Dhabi - United Arab Emirates (the "Entity") was registered on August 18, 2010 as a Limited Liability Company and operates in the United Arab Emirates under an industrial license issued by Department of Economic Development, Industrial Development Bureau, Government of Abu Dhabi, Abu Dhabi - United Arab Emirates.
- 1.2 The Entity is licensed by Department of Economic Development to manufacture in all types of steel pipes and related accessories and pipelines and metal products coating.
- 1.3 The registered address of the Entity is P.O. Box: 132595, Abu Dhabi - United Arab Emirates.
- 1.4 The management and control are vested with the Directors, Mr. Sanjay Kumar Aggarwal and Mr. Anil Kumar Kejriwal (both Indian national).
- 1.5 These financial statements incorporate the operating results of the Industrial license no. IN - 1002018.

### 2 New and amended standards

#### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing April 01, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Annual Improvements to IFRSs 2014-2016 cycles: The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for summarized financial information.

The following amended standards and interpretations are not expected to have significant impact on the Entity's financial statements;

#### New and revised standards and amendments

#### Effective for annual periods beginning on or after

Annual Improvements to IFRS Standards 2014–2016 Cycle on 8 December 2016, amending the standards: IFRS 1- First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures.

January 1, 2018

IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation clarifies the date of the transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts.

January 1, 2018

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2-Share-based Payment) contains the clarifications and amendments: The amendments pertains to accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight.

January 1, 2018

**Jindal Saw Gulf L.L.C.**

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Notes to the the financial statements for the year ended March 31, 2018

**2 New and amended standards (continued)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)**

**New and revised standards and amendments**

**Effective for annual periods  
beginning on or after**

IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). January 1, 2018

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. January 1, 2018

IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation (Amendments to IFRS 9) to address the concerns about how IFRS 9 classifies particular prepayable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019; early application is permitted. January 1, 2019

Amended by Transfers of Investment Property (Amendments to IAS 40- Investment Property): An entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. July 1, 2018

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations when it becomes effective. January 1, 2018

IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. January 1, 2019

IFRS 17 -Insurance Contracts was issued in May 2017 as a replacement of IFRS 4- Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. January 1, 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements in the period of initial application.

### **3 Significant accounting policies**

#### **3.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

#### **3.2 Basis of preparation**

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

#### **3.3 Current/non-current classification**

The Entity presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to be sold or consumed in the normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Entity classifies all other liabilities as non-current.

#### **3.4 Foreign currency**

The transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

#### **3.5 Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment, using the straight-line method over its useful lives as follows:

**Jindal Saw Gulf L.L.C.**

Abu Dhabi - United Arab Emirates

Notes to the the financial statements for the year ended March 31, 2018

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**3 Significant accounting policies (continued)**

**3.5 Property, plant and equipment (continued)**

	<u>Years</u>
Building improvements	20
Machinery	20
Tools and equipment	5
Moulds	Usage basis
Furniture, fixtures and equipment	2 - 4
Motor vehicles	5

The building improvements are being depreciated over the period from when it became available for use up to the end of the lease term or the useful life, whatever is lesser.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

**3.6 Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**3.7 Impairment of tangible and intangible assets**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

### **3 Significant accounting policies (continued)**

#### **3.8 Financial instruments**

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

#### **3.9 Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement' (FVTIS), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade and other receivables", "cash and cash equivalents", due from a related party", in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

##### Due from related parties

Amount due from related parties are measured at amortised cost.

##### Impairment of financial assets

###### *Assets carried at amortised cost*

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **3 Significant accounting policies (continued)**

#### **3.9 Financial assets (continued)**

##### Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

##### Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

#### **3.10 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Entity's financial liabilities include trade and other payables, loans and borrowings and due to related parties.

##### Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

##### Due to related parties

Amounts due to related parties are stated at amortised cost.

##### Loans and other borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

##### Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**3 Significant accounting policies (continued)**

**3.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**3.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.14 Provisions**

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.15 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

**3.16 Leasing**

Leases for which the Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

**3 Significant accounting policies (continued)**

**3.16 Leasing (continued)**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**3.17 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Entity's accounting policies, which are described in policy notes, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

**Critical judgements in applying accounting policies**

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgement that has the most significant effect on the amounts recognised in the financial statements.

*Revenue recognition*

Under normal circumstances, in recognising the revenue, the management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Allowance for doubtful debts*

Allowances for doubtful debts are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

*Net realisable value of inventories*

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

*Useful lives of property, plant and equipment*

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

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<b>4 Property, plant and equipment</b>	<b>Building improvements</b>	<b>Machinery</b>	<b>Tools and equipment</b>	<b>Moulds</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost</b>							
As at March 31, 2016	9,542,399	4,721,802	573,000	41,879,472	2,316,319	1,872,895	60,905,887
Addition during the year	4,399	2,865,761	-	1,377,988	137,025	-	4,385,173
Transferred from a related party (note 7)	-	277,366	322,215	-	-	-	599,581
Transferred to a related party (note 7)	-	(188,418)	(322,215)	-	-	-	(510,633)
Disposal during the year	-	-	-	(464,562)	-	-	(464,562)
As at March 31, 2017	9,546,798	7,676,511	573,000	42,792,898	2,453,344	1,872,895	64,915,446
Addition during the year	-	1,620,336	-	5,206,498	48,412	128,999	7,004,245
Disposal during the year	-	-	-	(1,123,430)	-	-	(1,123,430)
<b>As at March 31, 2018</b>	<b>9,546,798</b>	<b>9,296,847</b>	<b>573,000</b>	<b>46,875,966</b>	<b>2,501,756</b>	<b>2,001,894</b>	<b>70,796,261</b>
<b>Accumulated depreciation</b>							
As at March 31, 2016	933,904	344,335	121,479	11,285,006	1,528,847	1,116,542	15,330,113
Charge for the year	477,990	1,093,964	114,600	3,208,478	366,666	291,572	5,553,270
Eliminated on disposal during the year	-	-	-	(137,587)	-	-	(137,587)
As at March 31, 2017	1,411,894	1,438,299	236,079	14,355,897	1,895,513	1,408,114	20,745,796
Charge for the year	478,000	1,143,714	114,600	3,616,041	303,570	164,146	5,820,071
Eliminated on disposal during the year	-	-	-	(236,878)	-	-	(236,878)
<b>As at March 31, 2018</b>	<b>1,889,894</b>	<b>2,582,013</b>	<b>350,679</b>	<b>17,735,060</b>	<b>2,199,083</b>	<b>1,572,260</b>	<b>26,328,989</b>
<b>Carrying value as at March 31, 2018</b>	<b>7,656,904</b>	<b>6,714,834</b>	<b>222,321</b>	<b>29,140,906</b>	<b>302,673</b>	<b>429,634</b>	<b>44,467,272</b>
Carrying value as at March 31, 2017	8,134,904	6,238,212	336,921	28,437,001	557,831	464,781	44,169,650

**Notes:**

- Building improvements represents office building and factory boundary wall on Plot no.11 NR 28 leased from Higher Corporation for Specialised Economic Zones (Zone Corp), located in ICAD III, Abu Dhabi - United Arab Emirates. The leasehold rights are assigned against bank credit facilities (note 16).
- Motor vehicles include AED 309,200 (2017: AED 309,200) being cost of 4 (2017: 4) vehicles hypothecated against vehicle loans (note 16b).
- Depreciation includes AED 3,616,041 (2017: AED 3,208,478) charged to cost of revenue (note 18).

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<b>5 Intangible assets</b>	
<b>Costs</b>	
Additions during the year	810,103
As at March 31, 2017	810,103
Additions during the year	368,766
As at March 31, 2018	1,178,869
<b>Accumulated amortisation</b>	
Amortisation for the year	14,786
As at March 31, 2017	14,786
Amortisation for the year	58,710
As at March 31, 2018	73,496
<b>Carrying value as at March 31, 2018</b>	<b>1,105,373</b>
Carrying value as at March 31, 2017	795,317

Intangible assets majorly include costs incurred in relation to the development of design and testing of "Double Chamber Pipe" of certain sizes.

<b>6 Inventories</b>	<b>2018</b>	<b>2017</b>
Raw materials	34,153,428	65,513,604
Spares and consumables	17,331,818	14,205,749
Work-in-progress	6,540,917	4,800,267
Finished goods	23,703,411	17,298,810
	<b>81,729,574</b>	<b>101,818,430</b>

Inventories were physically verified and were kept in the factory premises at Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates and are hypothecated against credit facilities (note 16).

**7 Related party transactions**

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, *Related Party Disclosures*. Such transactions are in the normal course of business and at terms that correspond to those based on management's decision with third parties. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

<b>a) Due from related parties</b>	<b>2018</b>	<b>2017</b>
<i>Entity under common management and control</i>		
M/s. Jindal Saw Italia SPA - Italy	11,109,686	1,989,888
<i>Parent Entity</i>		
M/s. Jindal Saw Limited - India	1,089,496	-
	<b>12,199,182</b>	<b>1,989,888</b>
<b>b) Long term loan from a related party</b>		
<i>Entity under common management and control</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.	4,317,652	4,317,652

The above loan is interest free and without any fixed repayment schedule.

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**7 Related party transactions (continued)**

<b>c) Due to related parties</b>	<u>2018</u>	<u>2017</u>
<i>Entities under common management and control</i>		
M/s. Jindal Fittings Ltd. - India	2,387,900	727,257
M/s. Jindal Saw Ltd. - India	20,437,742	5,585,545
	<u>22,825,642</u>	<u>6,312,802</u>

**d) Transactions with related parties**

The nature of significant related party transactions and the amounts involved were as follows:

	<b>For the year ended March 31,</b>	
	<u>2018</u>	<u>2017</u>
Interest expense (note 22)	2,282,292	1,951,926
Sales	16,661,108	49,793,394
Plant and machinery lease rent* (note 18)	25,000,000	25,000,000
Purchases (note 18)	30,905,061	10,811,162
Purchase of property, plant and equipment	-	599,581
Sales of property, plant and equipment	1,070,752	510,633

\* The above represents lease rent charged by a related party (M/s. Jindal Saw Middle East FZC) on factory building, machineries and equipment which is being leased to the Entity.

	<u>2018</u>	<u>2017</u>
<b>8 Trade receivables</b>		
Trade receivables: Outside U.A.E.	79,990,220	47,705,314
: Within U.A.E.	3,109,039	-
	<u>83,099,259</u>	<u>47,705,314</u>

The average credit period for the trade receivables is 90 days (2017: 90 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

Of the trade receivables as at March 31, 2018, there are 5 customers (2017: 5 customers) which represents 66% (2017: 82%) of the total receivables.

The above trade receivables are assigned against credit facilities (note 16a).

*Ageing of trade receivables:*

Neither past due nor impaired	82,735,537	47,500,738
<i>Past due but not impaired:</i>		
Due from 6 to 12 months	360,639	-
Due for more than 12 months	3,083	204,576
	<u>83,099,259</u>	<u>47,705,314</u>

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	<u>2018</u>	<u>2017</u>			
<b>9 Advances, deposits and other receivables</b>					
Prepayments	1,401,601	1,399,099			
Advances paid for land lease	1,965,171	710,122			
Guarantee deposits	185,400	135,400			
Advances to suppliers	6,249,506	8,333,870			
Staff loans and advances	286,411	253,037			
VAT receivable	722,614	-			
Other receivables	1,023,750	569,795			
	<u>11,834,453</u>	<u>11,401,323</u>			
<b>10 Cash and bank balances</b>					
Cash in hand	43,828	57,333			
Cash at banks	4,081,085	1,938,137			
	<u>4,124,913</u>	<u>1,995,470</u>			
<b>11 Share capital</b>					
Authorised, issued and paid up capital of Entity is AED 300,000 divided into 300 shares of AED 1,000 each fully paid.					
The details of the shareholding as at reporting date are as follows:					
<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2018</u>	<u>2017</u>
Mr. Ali Ahmed Saleh Shujaa Al Afeefi	U.A.E.	51	153	153,000	153,000
M/s. Jindal Saw Middle East FZC (represented by Mr. Anil Kumar Kejriwal )	U.A.E.	49	147	147,000	147,000
		100	300	<u>300,000</u>	<u>300,000</u>
				<u>2018</u>	<u>2017</u>
<b>12 Accumulated (losses)</b>					
Balance at the beginning of the year				(95,717,191)	(70,255,431)
(Loss) for the year				(26,218,634)	(25,461,760)
Balance at the end of the year				<u>(121,935,825)</u>	<u>(95,717,191)</u>
<b>13 Shareholder's current account</b>					
Balance at the beginning of the year				251,643,372	140,433,009
Net movements during the year				37,868,545	111,210,363
Balance at the end of the year				<u>289,511,917</u>	<u>251,643,372</u>

The balance in the above current account is owed to one of the shareholders, M/s. Jindal Saw Middle East FZC (represented by Mr. Anil Kumar Kejriwal).

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	<u>2018</u>	<u>2017</u>
<b>14 Employees' end of service benefits</b>		
Balance at the beginning of the year	2,459,653	2,093,605
Add: charge for the year	1,116,033	886,492
Less: paid during the year	<u>(672,031)</u>	<u>(520,444)</u>
Balance at the end of the year	<u>2,903,655</u>	<u>2,459,653</u>
Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of the reporting period.		
<b>15 Trade and other payables</b>		
Trade payables	19,792,761	12,372,439
Provisions and accruals	6,870,060	5,314,363
Advances received from customers	1,848,874	436,086
Other payables	<u>1,831,173</u>	<u>1,745,019</u>
	<u>30,342,868</u>	<u>19,867,907</u>
<b>16 Bank borrowings</b>		
<b>a) Due to banks</b>		
Trust receipts	<u>10,210,278</u>	<u>20,548,186</u>
Bank borrowings are secured by:		
i) Corporate guarantee of the Entity and M/s. Jindal Saw Limited - India.		
ii) Assignment of all risk insurance policies of the Entity and M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. in so far as it related solely to any non-fixed assets.		
iii) Assignment of leasehold rights (note 4).		
iv) Commercial mortgage over fixed and non-fixed assets of the Entity and M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.		
v) Pledge over 49% equity interest of the Entity, held by M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.		
vi) Pledge over 75% equity shares of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. held by M/s. Jindal Saw Holdings FZE, Fujairah - United Arab Emirates.		
vii) Charge over trade receivables (note 8).		
viii) Subordination of shareholders' loan and current account (notes 13).		
ix) Subordination of loan from a related party, M/s. Sathi International FZE, Ras Al Khaimah - United Arab Emirates (note 7).		
<b>b) Vehicle loans</b>		
Balance at the beginning of the year	143,011	202,183
Less: paid during the year	<u>(59,172)</u>	<u>(59,172)</u>
Balance at the end of the year	<u>83,839</u>	<u>143,011</u>
<b>Comprising:</b>		
Current portion	59,172	59,172
Non-current portion	<u>24,667</u>	<u>83,839</u>
	<u>83,839</u>	<u>143,011</u>

Vehicle loans installments are secured by charge over specific assets (note 4).

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	<u>2018</u>	<u>2017</u>
<b>16 Bank borrowings (continued)</b>		
<b>Bank borrowings - short term liabilities</b>		
Due to banks (refer a)	10,210,278	20,548,186
Vehicle loans (refer b)	59,172	59,172
	<u>10,269,450</u>	<u>20,607,358</u>
<b>Bank borrowings - long term liabilities</b>		
Vehicle loans (refer b)	24,667	83,839
<b>Total bank borrowings</b>	<u>10,294,117</u>	<u>20,691,197</u>
	<b>For the year ended March 31,</b>	
	<u>2018</u>	<u>2017</u>
<b>17 Revenue</b>		
Sales: Outside U.A.E.	232,216,069	196,812,672
: Within U.A.E.	19,577,092	25,468,127
	<u>251,793,161</u>	<u>222,280,799</u>
<b>18 Cost of revenue</b>		
<b>Cost of goods manufactured</b>		
Balance at the beginning of the year - raw materials, spares and consumables	79,719,353	74,929,549
Add: Purchases	120,426,222	108,654,229
Less: Balance at the end of the year - raw materials, spares and consumables (note 6)	(51,485,246)	(79,719,353)
<b>Raw material consumed</b>	<u>148,660,329</u>	<u>103,864,425</u>
Utilities	26,712,442	16,795,210
Direct labour	25,900,022	25,142,391
Manufacturing overhead	6,578,708	5,651,165
Plant and machinery lease rent (note 7)	25,000,000	25,000,000
Depreciation on property, plant and equipment (note 4)	3,616,041	3,208,478
<b>Manufacturing cost</b>	<u>236,467,542</u>	<u>179,661,669</u>
Balance at the beginning of the year - work-in-progress	4,800,267	4,155,959
Less: Balance at the end of the year - work-in-progress (note 6)	(6,540,917)	(4,800,267)
<b>Cost of goods manufactured</b>	<u>234,726,892</u>	<u>179,017,361</u>
Balance at the beginning of the year - finished goods	17,298,810	30,191,462
Less: Balance at the end of the year - finished goods (note 6)	(23,703,411)	(17,298,810)
	<u>228,322,291</u>	<u>191,910,013</u>

The above purchases are stated net of AED 13,199,228 (2017: AED 15,230,500) being net gains from hedging of raw materials.

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	<b>For the year ended March 31,</b>	
	<b>2018</b>	2017
<b>19 Other income</b>		
Scrap sales	531,580	89,512
Gain on disposal of property plant and equipment	184,201	117,222
Miscellaneous income	2,470,510	661,878
	<b>3,186,291</b>	<b>868,612</b>
<b>20 Selling and distribution expenses</b>		
Distribution cost	19,289,111	17,542,809
Advertisement and marketing	3,599,699	2,362,866
Commission on sales	6,225,480	14,588,965
	<b>29,114,290</b>	<b>34,494,640</b>
<b>21 Administrative expenses</b>		
Salaries and related benefits	6,475,006	6,285,598
Rent	5,675,132	5,083,546
Legal, visa, professional and related expenses	856,840	1,575,866
Travelling and conveyance	849,496	708,732
Repairs and maintenance	70,392	70,141
Utilities	826,158	519,439
Telephone and communications	414,898	353,924
Depreciation on property, plant and equipment (note 4)	2,204,030	2,344,792
Amortisation on intangible assets (note 5)	58,710	14,786
Foreign exchange loss	628,407	320,734
Insurance	640,321	882,777
Others	259,267	238,573
	<b>18,958,657</b>	<b>18,398,908</b>
<b>22 Finance costs</b>		
Interest*	3,799,427	2,854,137
Bank charges	1,003,421	953,473
	<b>4,802,848</b>	<b>3,807,610</b>

\* The above includes AED 2,282,292 (2017: AED 1,951,926) being interest paid to a related party (M/s. Jindal Saw Middle East FZC) for the use of working capital facility (note 7).

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**23 Financial instruments**a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

b) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis*

	As at March 31,		As at March 31,	
	2018	2017	2018	2017
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	83,099,259	47,705,314	83,099,259	47,705,314
Other receivables	2,218,175	958,232	2,218,175	958,232
Due from related parties	12,199,182	1,989,888	12,199,182	1,989,888
Cash and bank balances	4,124,913	1,995,470	4,124,913	1,995,470
	<u>101,641,529</u>	<u>52,648,904</u>	<u>101,641,529</u>	<u>52,648,904</u>
<i>Financial liabilities</i>				
Bank borrowings	10,294,117	20,691,197	10,294,117	20,691,197
Trade and other payables	28,493,994	19,431,821	28,493,994	19,431,821
Due to related parties	22,825,642	6,312,802	22,825,642	6,312,802
Long term loan from a related party	4,317,652	4,317,652	4,317,652	4,317,652
	<u>65,931,405</u>	<u>50,753,472</u>	<u>65,931,405</u>	<u>50,753,472</u>

Financial instruments comprise of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of cash and bank balances, due from related parties, trade receivables and other receivables. Financial liabilities consist of bank borrowings, trade and other payables, due to related parties and long term loan from a related party.

As at the reporting date, financial assets and financial liabilities approximate their carrying values.

c) *Valuation premise for financial instruments that are not measured at fair value on recurring basis*

The following methods and assumptions were used to estimate the fair values:

Long-term borrowings or receivables are evaluated by the Entity based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at reporting date, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

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**24 Financial risk management objectives**

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

There has been no change to the Entity's exposure to these financial risks or the manner in which it manages and measures the risk.

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

**a) Foreign currency risk management**

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Entity's monetary assets and liabilities denominated in foreign currencies other than in Arab Emirates Dirham or currencies to which the Dirham is fixed are as follows:

	Amounts in Foreign currency		Amounts in AED	
	2018	2017	2018	2017
Euro	52,364	20,827	236,780	94,176
SAR	10,027,498	(28,853)	10,246,081	(29,482)
INR	-	(14,930)	-	(265,119)
OMR	21,887	-	208,653	-

**Foreign currency sensitivity analysis**

The following table details the Entity's sensitivity to a 10% increase and decrease in the AED against the relevant foreign currencies. 10% is the sensitivity rate used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive or negative number below indicates an increase or decrease in profit or loss where the AED weakens 10% against the relevant currency. For a 10% strengthening of the AED against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	Profit or loss	
	2018	2017
Euro	23,678	9,418
SAR	1,024,608	(2,948)

**b) Interest rate risk management**

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

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**24 Financial risk management objectives (Continued)***c) Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Entity has access to interest free loans from its shareholders at its disposal to further reduce liquidity risk.

*Liquidity and interest risk tables*

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were as follows:

Particulars	Non Interest bearing			Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
<b>As at March 31, 2018</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	83,099,259	-	83,099,259
Due from related parties	-	-	-	-	12,199,182	-	12,199,182
Other receivables	-	-	-	-	2,218,175	-	2,218,175
Cash and bank balances	-	-	-	4,124,913	-	-	4,124,913
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,124,913</u>	<u>97,516,616</u>	<u>-</u>	<u>101,641,529</u>
<b>Financial liabilities</b>							
Bank borrowings	10,210,278	59,172	24,667	-	-	-	10,294,117
Trade and other payables	-	-	-	-	28,493,994	-	28,493,994
Due to related parties	-	-	-	-	22,825,642	-	22,825,642
Long term loan from a related party	-	-	4,317,652	-	-	-	4,317,652
	<u>10,210,278</u>	<u>59,172</u>	<u>4,342,319</u>	<u>-</u>	<u>51,319,636</u>	<u>-</u>	<u>65,931,405</u>
<b>As at March 31, 2017</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	47,705,314	-	47,705,314
Other receivables	-	-	-	-	958,232	-	958,232
Due from related parties	-	-	-	-	1,989,888	-	1,989,888
Cash and bank balances	-	-	-	1,995,470	-	-	1,995,470
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,995,470</u>	<u>50,653,434</u>	<u>-</u>	<u>52,648,904</u>
<b>Financial liabilities</b>							
Bank borrowings	20,548,186	59,172	83,839	-	-	-	20,691,197
Trade and other payables	-	-	-	-	19,431,821	-	19,431,821
Due to related parties	-	-	-	-	6,312,802	-	6,312,802
Long term loan from a related party	-	-	4,317,652	-	-	-	4,317,652
	<u>20,548,186</u>	<u>59,172</u>	<u>4,401,491</u>	<u>-</u>	<u>25,744,623</u>	<u>-</u>	<u>50,753,472</u>

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**24 Financial risk management objectives (continued)***d) Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are disclosed in notes 8 & 9 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

**25 Capital risk management**

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

The Entity monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by equity. Net debt is calculated as trade and other payables, total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is equivalent to shareholder equity as shown in the statement of financial position.

*Gearing ratio*

The gearing ratio at the year end was as follows:

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
Debt (i)	10,294,117	20,691,197
Cash and cash equivalents	(4,124,913)	(1,995,470)
Net debt	<u>6,169,204</u>	<u>18,695,727</u>
Equity (ii)	<u>167,876,092</u>	<u>156,226,181</u>
Net debt to equity ratio	<u>0:1</u>	<u>1:8</u>

i) Debt is defined as bank borrowings, and term loan as detailed in note 16.

ii) Equity include all capital and accumulated losses of the Entity including shareholders' current accounts.

**26 Contingent liabilities**

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
Letters of credit	<u>2,652,106</u>	<u>2,190,373</u>
Corporate guarantee	<u>206,177</u>	<u>2,237,914</u>
Letters of guarantee	<u>6,716,841</u>	<u>-</u>

Except for the above, and ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Entity's the financial statements as of reporting date.

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**27 Commitments**

Operating lease relates to factory land consist of plot of land (Plot no. 11 NR 28) leased from Higher Corporation for Specialized Economic Zones (Zone Corp), Abu Dhabi - United Arab Emirates for a period of 30 years and can be renewed at the discretion of both parties. The lease rental is subject to review after every 3 years. The Entity does not have an option to purchase the leased asset at the expiry of lease period.

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
<i>Non-cancelable operating lease commitments</i>		
Not longer than 1 year	<u>4,622,691</u>	<u>4,622,691</u>
Longer than 1 year and not longer than 5 years	<u>18,490,764</u>	<u>18,490,764</u>
Longer than 5 years	<u>78,585,747</u>	<u>83,208,438</u>

Except for the above and ongoing business obligations which are under normal course of business, there has been no other known commitment on Entity's the financial statements as of reporting date.

**28 Comparative amounts**

Certain figures for the previous year were regrouped/reclassified, wherever necessary, to conform to current year's presentation. However, such reclassifications do not have any impact on the Entity's previously reported financial result or shareholders' equity.