

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

Auditor's report and financial statements
For the year ended March 31, 2019

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

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 : Crowe Mak
P.O. Box: 262794
Dubai - United Arab Emirates

The Main Banks : Commercial Bank International
Arab Banking Corporation (B.S.C.)
Emirates NBD
Abu Dhabi Commercial Bank

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

Directors' report

Dear stakeholders,

This year our Entity's operation was not that 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 Entity added some value added products which is getting better realization and is unique in feature compare with 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, Iraq on the one side of the globe and Brazil on the other side. We have good order book in hand and hopefully we can expect a great year ahead.

We are presenting this report and the audited financial statements for the year ended March 31, 2019.

Principal activities of the Entity:

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

Financial review:

The table below summarizes the results denoted in Arab Emirates Dirham (AED).

	<u>2019</u>	<u>2018</u>
Revenue	448,276,321	251,793,161
Gross profit	100,269,799	23,470,870
Gross profit margin	22%	9%
(Loss) for the year	(12,378,827)	(26,218,634)

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 their guidance and supervision of the Entity's business. The Directors set the strategies and policies of the Entity. They monitor performance of the Entity's business, guide and supervise its management.

Going concern:

The attached financial statements have been prepared on a going concern basis. While preparing the financial statements, the management has made an assessment of the Entity's ability to continue as a going concern. The management has not come across any evidence that causes it to believe that material uncertainties related to the events or conditions existed, which may cast significant doubt on the Entity's ability to continue as a going concern.

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. Crowe 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.

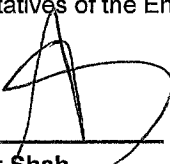
Statement of Directors' responsibilities:

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 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 confirm 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 Directors also confirm 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 financial statements were approved by the Board and signed on behalf by the authorized representatives of the Entity.



Mr. Ankit Shah
Director

May 13, 2019



Mr. Anil Kumar Kejriwal
Director

Ref: JM/AR/19/12167

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 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, 2019 and the statement of profit or loss and other comprehensive income, statement of changes in 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, 2019 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 and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, in compliance with the requirements of applicable laws 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.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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.

Independent auditor's report to the shareholders of Jindal Saw Gulf L.L.C. (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 U.A.E. Federal Commercial Companies 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 U.A.E. Federal Commercial Companies 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.

Crowe Mak

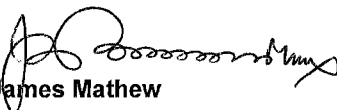
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Independent auditor's report to the shareholders of Jindal Saw Gulf L.L.C. (continued)**Report on other legal and regulatory requirements (continued)**

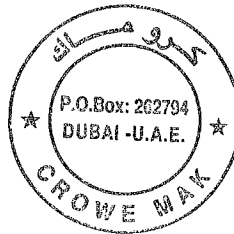
- 5 The Entity has not made any investments in shares and stocks during the year ended March 31, 2019.
- 6 Note 7 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 7 Based on the information that has been 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 U.A.E. Federal Commercial Companies 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 at March 31, 2019.

For Crowe Mak

James Mathew
Senior Partner
Regn. No. 548

May 13, 2019

Dubai - United Arab Emirates



Jindal Saw Gulf L.L.C.

Abu Dhabi - United Arab Emirates

Statement of financial position as at March 31, 2019

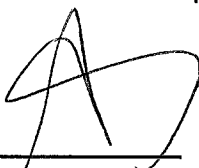
(In Arab Emirates Dirham)

	Notes	2019	2018
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	51,204,205	44,467,272
Intangible assets	5	847,755	1,105,373
<i>Total non-current assets</i>		<u>52,051,960</u>	<u>45,572,645</u>
<i>Current assets</i>			
Inventories	6	118,248,426	81,729,574
Due from related parties	7	40,143,691	12,199,182
Trade receivables	8	57,794,018	83,099,259
Advances, deposits and other receivables	9	12,577,413	11,834,453
Cash and bank balances	10	9,721,452	4,124,913
<i>Total current assets</i>		<u>238,485,000</u>	<u>192,987,381</u>
Total assets		<u><u>290,536,960</u></u>	<u><u>238,560,026</u></u>
Equity and liabilities			
<i>Equity</i>			
Share capital	11	300,000	300,000
Accumulated (losses)	12	(134,314,652)	(121,935,825)
Shareholder's current account	13	367,099,795	289,511,917
<i>Total equity</i>		<u>233,085,143</u>	<u>167,876,092</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	3,330,110	2,903,655
Bank borrowings - non-current portion	16	-	24,667
<i>Total non-current liabilities</i>		<u>7,647,762</u>	<u>7,245,974</u>
<i>Current liabilities</i>			
Trade and other payables	15	36,061,861	30,342,868
Due to related parties	7	13,717,527	22,825,642
Bank borrowings - current portion	16	24,667	10,269,450
<i>Total current liabilities</i>		<u>49,804,055</u>	<u>63,437,960</u>
Total liabilities		<u>57,451,817</u>	<u>70,683,934</u>
Total equity and liabilities		<u><u>290,536,960</u></u>	<u><u>238,560,026</u></u>

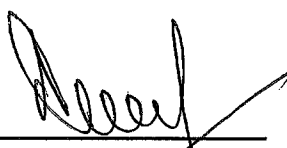
The accompanying notes form an integral part of these financial statements.

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

The financial statements on pages 7 to 33 were approved on May 12, 2019 and signed on behalf of the Entity, by:



Mr. Ankit Shah
 Director



Mr. Anil Kumar Kejriwal
 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, 2019
(In Arab Emirates Dirham)

	Notes	2019	2018
Revenue	17	448,276,321	251,793,161
Cost of revenue	18	(348,006,522)	(228,322,291)
Gross profit		100,269,799	23,470,870
Other income	19	1,399,333	3,186,291
Selling and distribution expenses	20	(83,027,677)	(29,347,749)
Administrative expenses	21	(23,043,998)	(18,725,198)
Finance costs	22	(7,976,284)	(4,802,848)
(Loss) for the year		(12,378,827)	(26,218,634)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(12,378,827)	(26,218,634)

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 33 were approved on May 12, 2019 and signed on behalf of the Entity, by:



Mr. Ankit Shah
Director



Mr. Anil Kumar Kejriwal
Director

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

Statement of changes in equity for the year ended March 31, 2019
 (In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's current account</u>	<u>Total equity</u>
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
Balance as at March 31, 2018	300,000	(121,935,825)	289,511,917	167,876,092
(Loss) for the year	-	(12,378,827)	-	(12,378,827)
Net movements during the year	-	-	77,587,878	77,587,878
Balance as at March 31, 2019	300,000	(134,314,652)	367,099,795	233,085,143

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, 2019

(In Arab Emirates Dirham)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
(Loss) for the year	(12,378,827)	(26,218,634)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	7,876,657	5,820,071
Amortization of intangible assets	257,618	58,710
(Gain) on sale of property, plant and equipment	(98,476)	(184,201)
Provision for employees' end of service benefits	1,074,738	1,116,033
Allowance for doubtful debts	2,948,008	-
Interest expense	6,881,738	3,799,427
Operating profit/(loss) before changes in operating assets and liabilities	6,561,456	(15,608,594)
<i>(Increase)/decrease in current assets</i>		
Inventories	(36,518,852)	20,088,856
Trade receivables	22,357,233	(35,393,945)
Advances, deposits and other receivables	(742,960)	(433,130)
Due from related parties	(27,944,509)	(10,209,294)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	5,434,730	10,474,961
Due to related parties	(9,108,115)	16,512,840
Cash (used in) operations	(39,961,017)	(14,568,306)
Employees' end of services benefits paid	(364,020)	(672,031)
Interest expense paid	(6,881,738)	(3,799,427)
Net cash (used in) operating activities	(47,206,775)	(19,039,764)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	112,666	1,070,753
Intangible assets	-	(368,766)
Acquisition of property, plant and equipment	(14,627,780)	(7,004,245)
Net cash (used in) investing activities	(14,515,114)	(6,302,258)
Cash flows from financing activities		
(Repayment) of bank borrowings (net)	(10,269,450)	(10,397,080)
Shareholder's current account	77,587,878	37,868,545
Net cash from financing activities	67,318,428	27,471,465
Net increase in cash and cash equivalents	5,596,539	2,129,443
Cash and cash equivalents, beginning of the year	4,124,913	1,995,470
Cash and cash equivalents, end of the year	9,721,452	4,124,913
Cash and cash equivalents		
Cash in hand	223,230	43,828
Cash at banks	9,498,222	4,081,085
	9,721,452	4,124,913

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 financial statements for the year ended March 31, 2019

1 Legal status and business activities

- 1.1 M/s. Jindal Saw Gulf L.L.C., Abu Dhabi - United Arab Emirates (the "Entity") was incorporated 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, Abu Dhabi - United Arab Emirates.
- 1.2 The Entity is licensed to manufacture 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: 92135, 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 following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2018.

IFRS 9 Financial Instruments and associated amendments to various other standards.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

Annual improvements 2014-2016 cycle

Transfers of Investment Property – Amendments to IAS 40

Interpretation 22 Foreign Currency Transactions and Advance Consideration

2.2 New standards and amendments issued but not effective for the current annual period.

The following standards and interpretations had been issued were not mandatory for annual reporting periods ending December 31, 2018.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 - Leases	January 1, 2019. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 17 - Insurance Contracts	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.

Jindal Saw Gulf L.L.C.

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2019

2 New standards and amendments (continued)

2.3 Impact of standards adopted in 2018

2.3.1 IFRS 15 Revenue from contract with customers

There is no effect of adoption of IFRS 15 on the balance sheet and retained earnings.

2.3.2 IFRS 9 Financial instruments

The Entity adopted IFRS 9 Financial instruments from April 01, 2018. The effect of adoption of IFRS 9 on the balance sheet and retained earnings is not material and has been disclosed where applicable in the notes to these financial statements.

2.4 Impact of standards issued but not yet applicable

2.4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and will supersede IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance lease is removed for leases. Under the new standard, both an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. The Entity has decided not to adopt the standard before its effective date.

The standard will affect primarily the accounting for the Entity's operating lease. At the reporting date, the Entity has non-cancellable operating lease commitments of AED 97,076,511. Also, the Entity, plans to use the recognition exemption for low value leases such as personal computers and to recognize on a straight line basis as an expense in the income statement.

3 Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the applicable laws. These financial statements are presented in Arab Emirates Dirhams (AED) which is the Entity's functional and presentation currency.

3.2 Basis of preparation

The 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:

Jindal Saw Gulf L.L.C.

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.3 Current/Non current classification (continued)

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:

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

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Capital work-in-progress

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3 Significant accounting policies (continued)

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 and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

3.8 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

Classification

The Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Entity's business model for managing the financial assets and the contractual terms of the cash flows.

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Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.9 Financial assets (continued)

Measurement

At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets comprise of cash and cash equivalents, receivables and other financial assets.

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.

Receivables

Receivable balances that are held to collect are subsequently measured at the lower of amortized cost or the present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of value adjustments for uncollectible amounts. The Entity assesses on a forward-looking basis the expected credit losses associated with its receivables and adjusts the value to the expected collectible amounts.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

Impairment of financial assets

The Entity assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and due from related parties, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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.

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Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.10 Financial liabilities (continued)

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/loans from related parties

Amounts due to/loans from 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.

3.11 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 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.

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Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.14 Revenue recognition

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Entity may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT) and custom duty. A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

3.15 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.

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.

An Entity as lessee

Assets held under finance leases are initially recognised as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Entity's general policy on borrowing costs.

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.16 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.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity has transferred control of the services to the customer. The management is satisfied that control has been transferred and that recognition of revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision as applicable.

Business model assessment - classification and measurement of financial statements

Classification and measurement of financial assets depends on the results of business model test. The Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

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.

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 are depreciated over their estimated useful lives, which are 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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Notes to the financial statements for the year ended March 31, 2019

3 Significant accounting policies (continued)

3.16 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Leasehold improvements

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the financial statements.

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4 Property, plant and equipment

	Building improvements	Machinery	Tools and equipment	Moulds	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
Cost								
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)
As at March 31, 2018	9,546,798	9,296,847	573,000	46,875,966	2,501,756	2,001,894	-	70,796,261
Addition during the year	-	1,735,082	-	10,292,831	71,102	509,427	2,019,338	14,627,780
Disposal during the year	-	-	-	(570,499)	(3,299)	(398,500)	-	(972,298)
As at March 31, 2019	9,546,798	11,031,929	573,000	56,598,298	2,569,559	2,112,821	2,019,338	84,451,743
Accumulated depreciation								
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)
As at March 31, 2018	1,889,894	2,582,013	350,679	17,735,060	2,199,083	1,572,260	-	26,328,989
Charge for the year	478,000	1,557,287	114,600	5,375,938	194,926	155,906	-	7,876,657
Eliminated on disposal during the year	-	-	-	(570,499)	(3,299)	(384,310)	-	(958,108)
As at March 31, 2019	2,367,894	4,139,300	465,279	22,540,499	2,390,710	1,343,856	-	33,247,538
Carrying value as at March 31, 2019	7,178,904	6,892,629	107,721	34,057,799	178,849	768,965	2,019,338	51,204,205
Carrying value as at March 31, 2018	7,656,904	6,714,834	222,321	29,140,906	302,673	429,634	-	44,467,272

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Notes to the financial statements for the year ended March 31, 2019
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4 Property, plant and equipment (continued)

Notes:

- Building improvements represent 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 obtained in the name of related party M/s. Jindal Saw Middle East FZC - Fujairah - U.A.E..

- Motor vehicles includes AED 309,200 (2018: AED 309,200) being cost of 4 (2018: 4) vehicles hypothecated against finance leases (note 16b).

- Capital work-in-progress represents costs of machinery under installation, pending capitalisation (note 27).

- Breakup of depreciation charged:

	For the year ended March 31,	
	2019	2018
	AED	AED
Cost of revenue	5,375,938	3,616,041
Administrative expenses	2,500,719	2,204,030
	<u>7,876,657</u>	<u>5,820,071</u>

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Notes to the financial statements for the year ended March 31, 2019

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5 Intangible assets	Total
The carrying value of the intangible assets are as follows:	
Cost	
As at March 31, 2017	810,103
Addition during the year	368,766
As at March 31, 2018	1,178,869
As at March 31, 2019	1,178,869
Accumulated amortization	
As at March 31, 2017	14,786
Amortization for the year (note 21)	58,710
As at March 31, 2018	73,496
Amortization for the year (note 21)	257,618
As at March 31, 2019	331,114
Carrying value as at March 31, 2019	847,755
Carrying value as at March 31, 2018	1,105,373

The above represents costs incurred in relation to the development of design and testing of "Double Chamber Pipe" of certain sizes and is being amortised over its useful life of 3 to 5 years from the date when it was available for intended use. Patent for the said design has been filed under the name " Jindal Lock" in India.

	2019	2018
6 Inventories		
Raw materials	53,991,322	34,153,428
Spares and consumables	21,047,879	17,331,818
Work-in-progress	17,396,729	6,540,917
Finished goods	25,812,496	23,703,411
	118,248,426	81,729,574

Inventories were physically verified and were kept in the factory premises at Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates.

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*. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

a) Due from related parties	2019	2018
<i>Entities under common management and control</i>		
M/s. Jindal Saw Italia SPA - Italy	39,649,413	11,109,686
M/s. Jindal Saw Limited - India	494,278	1,089,496
	40,143,691	12,199,182

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7 Related party transactions (continued)	2019	2018
b) Long term loan from a related party		
<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 unsecured, interest free and without any fixed repayment schedule.		
c) Due to related parties		
<i>Entities under common management and control</i>		
M/s. Jindal Fittings Ltd. - India	526,886	2,387,900
M/s. Jindal Saw Italia SPA - Italy	581,049	-
M/s. Jindal Saw Limited - India	10,500,377	20,437,742
M/s. Jindal Saw Holdings FZE, Fujairah Free Zone, Fujairah - U.A.E.	2,109,215	-
	13,717,527	22,825,642

d) Transactions with related parties

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

	For the year ended March 31,	
	2019	2018
Interest expense (note 22)	5,176,189	2,282,292
Sales	76,835,928	16,661,108
Plant and machinery lease rent* (note 18)	25,000,000	25,000,000
Purchases	47,418,223	30,905,061
Purchase of property, plant and equipment	2,161,982	-
Expense charged by a related party#	3,404,020	-
Transfer of Employees end of service benefits (to) a related party (note 14)	(284,263)	-
Sale of property, plant and equipment	-	1,070,752

* 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.

Represents salaries and related benefits charged by a related party.

8 Trade receivables	2019	2018
Trade receivables: Outside U.A.E.	57,146,156	79,990,220
:Within U.A.E.	3,595,870	3,109,039
Less: impairment for trade receivables	(2,948,008)	-
	57,794,018	83,099,259

The credit period for the trade receivables is 30 - 180 days (2018: 30 - 180 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

Of the trade receivables as at March 31, 2019, there are 5 customers (2018: 5 customers) representing 78% (2018: 66%) of the total trade receivables.

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8 Trade receivables (continued)Impairment of trade receivables

The Entity applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

	<u>2019</u>
Expected credit loss rate	5%
Estimated total gross carrying amount at default	60,742,026
Amounts not past due	57,770,446
Lifetime expected credit loss	<u>2,948,008</u>
Net carrying amount	<u>57,794,018</u>

	<u>2019</u>	<u>2018</u>
<u>Ageing of trade receivables that are:</u>		
Not past due	<u>57,770,446</u>	82,092,996
<u>Past due:</u>		
1 -180 days	<u>783,474</u>	761,829
181 - 365 days	<u>1,939,803</u>	-
366 days and above	<u>248,303</u>	244,434
	<u>60,742,026</u>	<u>83,099,259</u>

The movements in the account of impairment loss on trade receivables is as follows:

Charge during the year (note 21)	<u>2,948,008</u>	-
Balance at the end of the year	<u>2,948,008</u>	-

In determining the recoverability of trade receivables, the Entity considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the management believes that there is no further credit allowance required for doubtful debts.

9 Advances, deposits and other receivables

Prepayments	<u>1,613,574</u>	1,401,601
Advances paid for land lease	<u>166,228</u>	1,965,171
Guarantee deposits	<u>185,400</u>	185,400
Advances to suppliers	<u>5,169,686</u>	6,249,506
Staff loans and advances	<u>309,562</u>	286,411
VAT receivable - net	<u>4,182,963</u>	722,614
Other receivables	<u>950,000</u>	1,023,750
	<u>12,577,413</u>	<u>11,834,453</u>

10 Cash and bank balances

Cash in hand	<u>223,230</u>	43,828
Cash at banks	<u>9,498,222</u>	4,081,085
	<u>9,721,452</u>	<u>4,124,913</u>

Management has concluded that the Expected Credit Loss (ECL) for all bank balances is immaterial as these balances are held with banks/financial institutions whose credit risk rating by international rating agencies has been assessed as low.

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11 Share capital

Authorised, issued and paid up capital of Entity is AED 300,000 divided into 300 fully paid up shares of AED 1,000 each.

The details of the shareholding as at the reporting date are as follows:

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2019</u>	<u>2018</u>
Mr. Ali Ahmed Saleh Shujaa Alafeefi	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
		<u>100</u>	<u>300</u>	<u>300,000</u>	<u>300,000</u>
				<u>2019</u>	<u>2018</u>
12 Accumulated (losses)					
Balance at the beginning of the year				(121,935,825)	(95,717,191)
(Loss) for the year				(12,378,827)	(26,218,634)
Balance at the end of the year				<u>(134,314,652)</u>	<u>(121,935,825)</u>
13 Shareholder's current account					
Balance at the beginning of the year				289,511,917	251,643,372
Net movements during the year				<u>77,587,878</u>	<u>37,868,545</u>
Balance at the end of the year				<u>367,099,795</u>	<u>289,511,917</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).					
14 Employees' end of service benefits					
Balance at the beginning of the year				2,903,655	2,459,653
Add: Charge for the year				1,074,738	1,116,033
Less: Transfer (to) a related party (note 7)				(284,263)	-
Less: Paid during the year				<u>(364,020)</u>	<u>(672,031)</u>
Balance at the end of the year				<u>3,330,110</u>	<u>2,903,655</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 reporting period.					
15 Trade and other payables					
Trade payables				28,473,656	19,792,761
Provisions and accruals				5,461,327	6,870,060
Advances received from customers				309,858	1,848,874
Other payables				<u>1,817,020</u>	<u>1,831,173</u>
				<u>36,061,861</u>	<u>30,342,868</u>

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16 Bank borrowings	2019	2018
a) Due to banks		
Trust receipts	-	10,210,278
b) Vehicle loans		
Balance at the beginning of the year	83,839	143,011
Less: Paid during the year	(59,172)	(59,172)
Balance at the end of the year	<u>24,667</u>	<u>83,839</u>
Comprising:		
Current portion	24,667	59,172
Non-current portion	-	24,667
	<u>24,667</u>	<u>83,839</u>
Vehicle loans installments are secured by charge over specific assets (note 4).		
Bank borrowings - short term liabilities		
Due to banks (refer a)	-	10,210,278
Vehicle loans (refer b)	24,667	59,172
	<u>24,667</u>	<u>10,269,450</u>
Bank borrowings - long term liabilities		
Vehicle loans (refer b)	-	24,667
Total bank borrowings (a + b)	<u>24,667</u>	<u>10,294,117</u>
	For the year ended March 31,	
	2019	2018
17 Revenue		
Revenue from contracts with customers	<u>448,276,321</u>	<u>251,793,161</u>
17.1 Disaggregated revenue information		
Set out below is the disaggregation of the Entity's revenue from contracts with customers.		
Sale of pipes	<u>448,276,321</u>	<u>251,793,161</u>
Geographical markets		
Sales : Outside U.A.E.	429,580,826	232,216,069
: Within U.A.E.	<u>18,695,495</u>	<u>19,577,092</u>
Total revenue from contracts with customers	<u>448,276,321</u>	<u>251,793,161</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>448,276,321</u>	<u>251,793,161</u>
Total revenue from contracts with customers	<u>448,276,321</u>	<u>251,793,161</u>

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17 Revenue (continued)**17.2 Performance obligations**

Information about the Entity's performance obligations are summarised below:

Sale of pipes

The performance obligation is satisfied on delivery of pipes in case of sales within U.A.E. and on shipping/delivery in case of sales outside U.A.E. depending upon the contractual terms agreed with the customers and payment is generally due within 30 to 180 days from delivery/shipment date. The standard manufacturer's warranty offered on pipes sold by the Entity does not qualify as a separate performance obligation under IFRS 15 "Revenue from contract with customers".

	For the year ended March 31,	
	2019	2018
18 Cost of revenue		
Cost of goods manufactured		
Balance at the beginning of the year - raw materials, spares and consumables	51,485,246	79,719,353
Add: Purchases	279,851,674	120,426,222
Less: Balance at the end of the year - raw materials, spares and consumables (note 6)	<u>(75,039,201)</u>	<u>(51,485,246)</u>
Raw material consumed	256,297,719	148,660,329
Utilities	33,703,181	26,712,442
Direct labour	30,212,071	25,900,022
Manufacturing overhead	10,382,510	6,578,708
Plant and machinery lease rent (note 7)	25,000,000	25,000,000
Depreciation on property, plant and equipment (note 4)	<u>5,375,938</u>	<u>3,616,041</u>
Manufacturing cost	360,971,419	236,467,542
Balance at the beginning of the year - work-in-progress	6,540,917	4,800,267
Less: Balance at the end of the year - work-in-progress (note 6)	<u>(17,396,729)</u>	<u>(6,540,917)</u>
Cost of goods manufactured	350,115,607	234,726,892
Balance at the beginning of the year - finished goods	23,703,411	17,298,810
Less: Balance at the end of the year - finished goods (note 6)	<u>(25,812,496)</u>	<u>(23,703,411)</u>
	<u>348,006,522</u>	<u>228,322,291</u>
19 Other income		
Scrap sales	44,225	531,580
Foreign exchange gain	293,132	-
Gain on sale of property, plant and equipment	98,476	184,201
Miscellaneous income	<u>963,500</u>	<u>2,470,510</u>
	<u>1,399,333</u>	<u>3,186,291</u>

* The above purchases are stated net of nil (2018: AED 13,199,228) being net gains from hedging of raw materials.

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	For the year ended March 31,	
	2019	2018
20 Selling and distribution expenses		
Distribution cost	44,643,685	19,289,111
Advertisement and marketing	5,624,771	3,833,158
Commission on sales	32,759,221	6,225,480
	<u>83,027,677</u>	<u>29,347,749</u>
21 Administrative expenses		
Salaries and related benefits	7,553,018	6,475,006
Rent	5,304,484	5,675,132
Legal, visa, professional and related expenses	1,196,761	856,840
Travelling and conveyance	922,889	849,496
Repairs and maintenance	114,955	70,392
Utilities	1,042,366	826,158
Telephone and communications	411,045	414,898
Depreciation on property, plant and equipment (note 4)	2,500,719	2,204,030
Amortization on intangible assets (note 5)	257,618	58,710
Impairment of trade receivables (note 8)	2,948,008	-
Foreign exchange loss	-	628,407
Insurance	477,431	406,862
Others	314,704	259,267
	<u>23,043,998</u>	<u>18,725,198</u>
22 Finance costs		
Interest*	6,881,738	3,799,427
Bank charges	1,094,546	1,003,421
	<u>7,976,284</u>	<u>4,802,848</u>

* The above includes AED 5,176,189 (2018: AED 2,282,292) being interest paid to shareholder (M/s. Jindal Saw Middle East FZC) for the use of working capital facilities (note 7).

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,	
	2019	2018	2019	2018
<i>Financial assets</i>	Carrying amount		Fair value	
Trade receivables	57,794,018	83,099,259	57,794,018	83,099,259
Other receivables	5,627,925	2,218,175	5,627,925	2,218,175
Due from related parties	40,143,691	12,199,182	40,143,691	12,199,182
Cash and bank balances	9,721,452	4,124,913	9,721,452	4,124,913
	<u>113,287,086</u>	<u>101,641,529</u>	<u>113,287,086</u>	<u>101,641,529</u>

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(In Arab Emirates Dirham)**23 Financial instruments (continued)**

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

	As at March 31,		As at March 31,	
	2019	2018	2019	2018
<i>Financial liabilities</i>	Carrying amount		Fair value	
Bank borrowings	24,667	10,294,117	24,667	10,294,117
Trade and other payables	35,752,003	28,493,994	35,752,003	28,493,994
Due to related parties	13,717,527	22,825,642	13,717,527	22,825,642
Long term loan from a related party	4,317,652	4,317,652	4,317,652	4,317,652
	53,811,849	65,931,405	53,811,849	65,931,405

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 the 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.

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.

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24 Financial risk management objectives (continued)*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:

	<u>Amounts in Foreign currency</u>		<u>Amounts in AED</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Bank balances</u>				
Euro	64,756	1,440	266,146	6,518
SAR	90,174	65,385	88,307	66,811
<u>Trade receivables</u>				
Euro	52,055	64,055	50,906	10,246,081
SAR	20,419,459	9,968,834	19,996,776	10,186,138
OMR	15,949	21,887	151,722	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.

	<u>Profit or loss</u>	
	<u>2019</u>	<u>2018</u>
<u>Bank balances</u>		
Euro	26,615	23,678
SAR	5,091	1,024,608
<u>Trade receivables</u>		
Euro	5,091	1,024,608
SAR	1,999,678	1,018,614
OMR	15,172	20,865

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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Notes to the financial statements for the year ended March 31, 2019

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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 table:

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	
As at March 31, 2019							
Financial assets							
Trade receivables	-	-	-	-	57,794,018	-	57,794,018
Other receivables	-	-	-	-	5,627,925	-	5,627,925
Due from related parties	-	-	-	-	40,143,691	-	40,143,691
Cash and bank balances	-	-	-	9,721,452	-	-	9,721,452
	-	-	-	9,721,452	103,565,634	-	113,287,086
Financial liabilities							
Bank borrowings	-	24,667	-	-	-	-	24,667
Trade and other payables	-	-	-	-	35,752,003	-	35,752,003
Due to related parties	-	-	-	-	13,717,527	-	13,717,527
Long term loan from a related party	-	-	-	-	-	4,317,652	4,317,652
	-	24,667	-	-	49,469,530	4,317,652	53,811,849
As at March 31, 2018							
Financial assets							
Trade receivables	-	-	-	-	83,099,259	-	83,099,259
Other receivables	-	-	-	-	2,218,175	-	2,218,175
Due from related parties	-	-	-	-	12,199,182	-	12,199,182
Cash and bank balances	-	-	-	4,124,913	-	-	4,124,913
	-	-	-	4,124,913	97,516,616	-	101,641,529

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24 Financial risk management objectives (continued)c) *Liquidity risk management (continued)*Liquidity and interest risk table (continued)

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	
As at March 31, 2018							
Financial liabilities							
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>24,667</u>	<u>-</u>	<u>51,319,636</u>	<u>4,317,652</u>	<u>65,931,405</u>

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.

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 and 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.

26 Contingent liabilities

	As at March 31,	
	2019	2018
Letters of credit	<u>739,453</u>	<u>2,652,106</u>
Corporate guarantee	<u>-</u>	<u>206,177</u>
Letters of guarantee	<u>6,716,841</u>	<u>6,716,841</u>

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

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27 Commitments	As at March 31,	
	2019	2018
i) Commitment towards purchase of property, plant and equipments (note 4)	116,674	-
ii) Operating lease 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.

	As at March 31,	
	2019	2018
<i>Non-cancellable operating lease commitments</i>		
Not longer than 1 year	4,622,691	4,622,691
Longer than 1 year and not longer than 5 years	18,490,764	18,490,764
Longer than 5 years	73,963,056	78,585,747

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

28 Reclassification

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 equity.