

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

**Independent auditors' report and financial statements**  
**For the year ended March 31, 2017**

**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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Principal Office Address : Plot no. 11 NR28 ICAD III,  
P.O. Box: 132595  
Abu Dhabi - United Arab Emirates  
T: +971 2 5506883  
F: +971 2 5506885

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 Auditors : 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 financial statements for the year ended March 31, 2017.

**Principal activities of the Entity:**

The principal activities of the Entity are unchanged since the previous year and consist of manufacturing all types of steel pipes and related accessories and pipelines and metal products coating.

**Financial review:**

The table below summarizes the results of:

	<u>2017</u>	<u>2016</u>
	AED	AED
Revenue	222,280,799	256,486,433
Gross profit	30,370,786	20,724,147
Gross profit margin	14%	8%
(Loss) for the year	(25,461,760)	(34,431,547)

**Role of the Directors:**

The Directors is the Entity's principal decision-making authority. 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. He monitors performance of the Entity's business, guides and supervises 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.

**Auditors:**

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

  
\_\_\_\_\_  
Director  
May 22, 2017



  
\_\_\_\_\_  
Director

Ref: JM/AR/17/10014

### **Independent auditors' 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, 2017 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 a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2017 and of 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, in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 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 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**

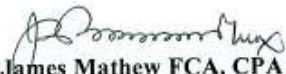
As required by the UAE Federal Law No. (2) of 2015, we further confirm that,

- i) we have obtained all the information and explanations which we consider necessary for our audit;
- ii) 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;
- iii) proper books of accounts have been maintained by the Entity;
- iv) 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)**

- v) the Entity has not made any investments in share and stocks during the year ended March 31, 2017;
- vi) note 7 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted; and
- vii) 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 March 31, 2017, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as of March 31, 2017.

**For Horwath Mak**

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



May 22, 2017

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

Statement of financial position as at March 31, 2017  
(In Arab Emirates Dirhams)

	Notes	2017	2016
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	44,200,880	45,575,774
Intangible asset	5	764,087	-
<i>Total non-current assets</i>		44,964,967	45,575,774
<i>Current assets</i>			
Inventories	6	101,818,430	109,276,970
Due from a related party	7	1,989,888	7,721,778
Trade receivables	8	47,705,314	19,935,485
Advances, deposits and other receivables	9	11,401,323	14,227,831
Cash and bank balances	10	1,995,470	1,473,299
<i>Total current assets</i>		164,910,425	152,635,363
<b>Total assets</b>		<b>209,875,392</b>	<b>198,211,137</b>
<b>Equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	11	300,000	300,000
Accumulated (losses)	12	(95,717,191)	(70,255,431)
Shareholder's current account	13	251,643,372	140,433,009
<i>Total shareholders' equity</i>		156,226,181	70,477,578
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	16	83,839	143,011
Employees' end of service benefits	14	2,459,653	2,093,605
Long term loan from a related party	7	4,317,652	-
<i>Total non-current liabilities</i>		6,861,144	2,236,616
<i>Current liabilities</i>			
Trade and other payables	15	19,867,907	13,967,064
Due to related parties	7	6,312,802	110,965,724
Bank borrowings - current portion	16	20,607,358	564,155
<i>Total current liabilities</i>		46,788,067	125,496,943
<b>Total liabilities</b>		<b>53,649,211</b>	<b>127,733,559</b>
<b>Total shareholders' equity and liabilities</b>		<b>209,875,392</b>	<b>198,211,137</b>

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

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

The financial statements on pages 7 to 30 were approved on May 21, 2017 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, 2017  
(In Arab Emirates Dirhams)

	Notes	2017	2016
Revenue	17	222,280,799	256,486,433
Cost of revenue	18	(191,910,013)	(235,762,286)
<b>Gross profit</b>		<b>30,370,786</b>	<b>20,724,147</b>
Other income	19	868,612	1,382,220
Selling and distribution expenses	20	(34,494,640)	(29,357,666)
Administrative expenses	21	(18,398,908)	(18,550,927)
Finance costs	22	(3,807,610)	(8,629,321)
<b>(Loss) for the year</b>		<b>(25,461,760)</b>	<b>(34,431,547)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(25,461,760)</b>	<b>(34,431,547)</b>

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

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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, 2017  
 (In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2015	300,000	(35,823,884)	179,818,824	144,294,940
(Loss) for the year	-	(34,431,547)	-	(34,431,547)
Net movements during the year	-	-	(39,385,815)	(39,385,815)
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
<b>Balance as at March 31, 2017</b>	<b>300,000</b>	<b>(95,717,191)</b>	<b>251,643,372</b>	<b>156,226,181</b>

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

The report of the auditors 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, 2017

(In Arab Emirates Dirhams)

	2017	2016
<b>Cash flows from operating activities</b>		
(Loss) for the year	(25,461,760)	(34,431,547)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	5,568,056	6,264,197
(Gain) on sale of property plant and equipment	(117,222)	(77,342)
Provision for employees' end of service benefits	886,492	737,596
<b>Operating (loss) before changes in operating assets and liabilities</b>	<b>(19,124,434)</b>	<b>(27,507,096)</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	7,458,540	19,579,762
Trade receivables	(27,769,829)	65,454,525
Advances, deposits and other receivables	2,826,508	(2,914,011)
Due from a related party	5,731,890	(6,311,715)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	5,900,843	(12,982,133)
Long term loan from a related party	4,317,652	-
Due to related parties	(2,112,815)	49,713,672
<b>Cash (used in)/generated from operations</b>	<b>(22,771,645)</b>	<b>85,033,004</b>
Employees' end of services benefits paid	(520,444)	(139,404)
<b>Net cash (used in)/from operating activities</b>	<b>(23,292,089)</b>	<b>84,893,600</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	954,830	90,130
Intangible asset	(764,087)	-
Acquisition of property, plant and equipment	(5,030,770)	(8,908,480)
<b>Net cash (used in) investing activities</b>	<b>(4,840,027)</b>	<b>(8,818,350)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	19,984,031	(38,212,691)
Shareholder's current account	8,670,256	(39,385,815)
<b>Net cash from/(used in) financing activities</b>	<b>28,654,287</b>	<b>(77,598,506)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>522,171</b>	<b>(1,523,256)</b>
Cash and cash equivalents, beginning of the year	1,473,299	2,996,555
<b>Cash and cash equivalents, end of the year</b>	<b>1,995,470</b>	<b>1,473,299</b>
<b>Represented by:</b>		
Cash in hand	57,333	23,842
Cash at banks	1,938,137	1,449,457
	<b>1,995,470</b>	<b>1,473,299</b>

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

The report of the auditors 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, 2017

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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 principal activities of the Entity are unchanged since the previous year and consist of manufacturing 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 January 01, 2016. 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.

Annual Improvements to IFRSs 2012-2014 cycles:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 "Financial Instruments: Disclosures": Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Further with consequential amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
- IAS 19 "Employee Benefits": Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
- IAS 34 "Interim Financial Reporting": Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Amendments to IFRS 11 "Joint Arrangements" clarify accounting for acquisitions of an Interests in Joint Operations where the activities of the operation constitute a business.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" clarify that revenue-based method of depreciation or amortisation is generally not appropriate.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.

Disclosure Initiative-Amendments to IAS 1 "Presentation of Financial Statements" makes the following changes:

- **Materiality:** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

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

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2017

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

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

Disclosure Initiative-Amendments to IAS 1 "Presentation of Financial Statements" makes the following changes (continued):

- Disaggregation and subtotals: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

Amendments to IAS 27 "Separate Financial Statements" which allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost or as financial asset in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements. The amendments introduce the equity method as a third option.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures "; Clarifies the exception from preparing consolidated financial statements available to intermediate parent entities which are subsidiaries of investments entities.

**2.2 New and revised standards and amendments in issue but were not mandatory for annual reporting periods ending December 31, 2016**

**New and revised standards and amendments**

**Effective for annual periods**

**beginning on or after**

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of 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.

January 1, 2017

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

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

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

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2017

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

**2.2 New and revised standards and amendments in issue but were not mandatory for annual reporting periods ending December 31, 2016 (continued)**

**New and revised standards and amendments**

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

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

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. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3 Significant accounting policies**

**3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Laws. These financial statements are presented in United 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:

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.

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

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2017

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**3 Significant accounting policies (continued)**

**3.4 Foreign currency**

In preparing the financial statements of Entity, 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 comprehensive income 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

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 comprehensive income.

**3.6 Impairment of tangible 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.

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

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2017

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**3 Significant accounting policies (continued)**

**3.6 Impairment of tangible assets (continued)**

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 comprehensive income.

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 comprehensive income.

**3.7 Financial instruments**

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

**3.8 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.

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

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Notes to the financial statements for the year ended March 31, 2017

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**3 Significant accounting policies (continued)**

**3.8 Financial assets (continued)**

Due from a related party

Amount due from a related party is 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.

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 income statement.

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 income statement.

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.

**3.9 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.

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

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Notes to the financial statements for the year ended March 31, 2017

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**3 Significant accounting policies (continued)**

**3.9 Financial liabilities (continued)**

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.

**3.10 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.

**3.11 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.

**3.12 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.

**3.13 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;

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

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Notes to the financial statements for the year ended March 31, 2017

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

#### **3.13 Revenue recognition (continued)**

##### *Sale of goods (continued)*

- 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.

#### **3.14 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.

#### **3.15 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).

##### **Related parties**

The Management have disclosed the related parties and the related due to and from related parties as per the requirements of IAS 24 "Related Parties Disclosures". In view of due to and from related parties being receivable and payable on demand and the management's intention to realise or pay the related parties as and when necessarily required, the disclosed balances are classified as current assets and current liabilities.

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

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Notes to the financial statements for the year ended March 31, 2017

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**3 Significant accounting policies (continued)**

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

**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.

*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.

*Property and equipment*

Property 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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Notes to the financial statements for the year ended March 31, 2017  
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**4 Property, plant and equipment**

The gross carrying amounts and accumulated depreciations are shown below:

	<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, 2015	9,478,134	2,011,294	573,000	36,406,367	2,148,756	1,547,850	52,165,401
Addition during the year	64,265	2,710,508	-	5,473,105	187,407	473,195	8,908,480
Disposal during the year	-	-	-	-	(19,844)	(148,150)	(167,994)
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	183,041	-	4,431,189
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	<b>9,546,798</b>	<b>7,676,511</b>	<b>573,000</b>	<b>42,792,898</b>	<b>2,499,360</b>	<b>1,872,895</b>	<b>64,961,462</b>
<b>Accumulated depreciation</b>							
As at March 31, 2015	458,478	18,969	6,879	6,746,554	1,083,075	907,167	9,221,122
Charge for the year	475,426	325,366	114,600	4,538,452	465,434	344,919	6,264,197
Eliminated on disposal during the year	-	-	-	-	(19,662)	(135,544)	(155,206)
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	381,452	291,572	5,568,056
Eliminated on disposal during the year	-	-	-	(137,587)	-	-	(137,587)
As at March 31, 2017	<b>1,411,894</b>	<b>1,438,299</b>	<b>236,079</b>	<b>14,355,897</b>	<b>1,910,299</b>	<b>1,408,114</b>	<b>20,760,582</b>
<b>Carrying value as at March 31, 2017</b>	<b>8,134,904</b>	<b>6,238,212</b>	<b>336,921</b>	<b>28,437,001</b>	<b>589,061</b>	<b>464,781</b>	<b>44,200,880</b>
Carrying value as at March 31, 2016	8,608,495	4,377,467	451,521	30,594,466	787,472	756,353	45,575,774

**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.
- Motor vehicles includes AED 309,200 (2016: AED 309,200) being cost of 4 (2016: 4) vehicles hypothecated against finance leases (note 16b).
- Depreciation includes AED 3,208,478 (2016: AED 4,538,452) charged to cost of revenue (note 18).

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

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	2017	2016
<b>5 Intangible asset</b>		
Capital work in progress	<u>764,087</u>	<u>-</u>

The above represents costs incurred in relation to the development of design and testing of "Double Chamber Pipe" of certain sizes. Patent for the said design has been filed under the name "Jindal Lock" in India.

<b>6 Inventories</b>		
Raw materials	65,513,604	60,659,904
Spares and consumables	14,205,749	14,269,645
Work-in-progress	4,800,267	4,155,959
Finished goods	<u>17,298,810</u>	<u>30,191,462</u>
	<u>101,818,430</u>	<u>109,276,970</u>

The above inventories are net of AED Nil (2016: AED 1,139,325) being expense in respect of write down of inventories to its net realisable value.

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 on normal arms-length transactions 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.

	2017	2016
<b>a) Due from a related party</b>		
<i>Entity under common management and control</i>		
M/s. Jindal Saw Italia SPA - Italy	<u>1,989,888</u>	<u>7,721,778</u>
<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.	<u>4,317,652</u>	<u>-</u>

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

**c) Due to related parties**

<i>Shareholder</i>		
M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. #	-	102,540,107
<i>Entities under common management and control</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.	-	4,317,652
M/s. Jindal Fittings Ltd. - India	727,257	84,646
M/s. Jindal Saw Ltd. - India	<u>5,585,545</u>	<u>4,023,319</u>
	<u>6,312,802</u>	<u>110,965,724</u>

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

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Notes to the financial statements for the year ended March 31, 2017

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**7 Related party transactions (continued)****c) Due to related parties (continued)**

# During the year M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. designated the amount receivable from the Entity amounting to AED 102,540,107 as a long term source of finance for the use of the Entity. Accordingly the said amount has been transferred to the shareholders current account and classified as equity contribution (note 13).

**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>	
	<b>2017</b>	<b>2016</b>
Interest expense (note 22)	<b>1,951,926</b>	6,819,458
Sales	<b>49,793,394</b>	38,558,541
Plant and machinery lease rent* (note 18)	<b>25,000,000</b>	25,000,000
Purchases (note 18)	<b>10,811,162</b>	57,809,123
Purchase of property, plant and equipment	<b>599,581</b>	-
Sales of property, plant and equipment	<b>510,633</b>	-

\* 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.

The Entity provides/receives funds to/from related parties as and when required as working capital facilities.

	<b>2017</b>	<b>2016</b>
<b>8 Trade receivables</b>		
Trade receivables: Outside U.A.E.	<b>47,705,314</b>	19,935,485

Of the trade receivables as at March 31, 2017, there are 5 (2016: 5) customers representing 82% (2016: 86%) of the trade receivables.

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

Ageing of trade receivables:

Neither past due nor impaired	<b>47,500,738</b>	19,728,337
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Past due but not impaired:

Due for more than 12 months	<b>204,576</b>	207,148
	<b>47,705,314</b>	19,935,485

**9 Advances, deposits and other receivables**

Prepayments	<b>1,399,099</b>	1,331,567
Advances paid for land lease	<b>710,122</b>	1,748,813
Guarantee deposits	<b>135,400</b>	2,336,422
Advances to suppliers	<b>8,333,870</b>	7,733,852
Staff loans and advances	<b>253,037</b>	308,138
Other receivables	<b>569,795</b>	769,039
	<b>11,401,323</b>	14,227,831

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

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	<u>2017</u>	<u>2016</u>
<b>10 Cash and bank balances</b>		
Cash in hand	57,333	23,842
Cash at banks	<u>1,938,137</u>	<u>1,449,457</u>
	<u><u>1,995,470</u></u>	<u><u>1,473,299</u></u>

**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>2017</u>	<u>2016</u>
Mr. Ali Ahmed Saleh Amer Shujaa Al Afifi	U.A.E.	51	153	<u>153,000</u>	153,000
M/s. Jindal Saw Middle East FZC (represented by Mr. Anil Kumar Kejriwal )	U.A.E.	49	147	<u>147,000</u>	147,000
		100	300	<u><u>300,000</u></u>	<u><u>300,000</u></u>
				<u>2017</u>	<u>2016</u>

**12 Accumulated (losses)**

Balance at the beginning of the year	(70,255,431)	(35,823,884)
(Loss) for the year	<u>(25,461,760)</u>	<u>(34,431,547)</u>
Balance at the end of the year	<u><u>(95,717,191)</u></u>	<u><u>(70,255,431)</u></u>

**13 Shareholder's current account**

Balance at the beginning of the year	140,433,009	179,818,824
Net movements during the year	<u>111,210,363</u>	<u>(39,385,815)</u>
Balance at the end of the year	<u><u>251,643,372</u></u>	<u><u>140,433,009</u></u>

The balance in the above current account is owed to one of the shareholders, M/s. Jindal Saw Middle East FZC.

**14 Employees' end of service benefits**

Balance at the beginning of the year	2,093,605	1,495,413
Add: Charge for the year	886,492	737,596
Less: Paid during the year	<u>(520,444)</u>	<u>(139,404)</u>
Balance at the end of the year	<u><u>2,459,653</u></u>	<u><u>2,093,605</u></u>

Amounts required to cover end of service benefits at the statement of financial position date are computed pursuant to the United Arab Emirates Federal Labour Law based on the employees' accumulated period of service and current basic remuneration at that date.

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	<u>2017</u>	<u>2016</u>
<b>15 Trade and other payables</b>		
Trade payables	12,372,439	8,620,052
Provisions and accruals	5,314,363	3,221,351
Advances received from customers	436,086	428,704
Other payables	1,745,019	1,696,957
	<u>19,867,907</u>	<u>13,967,064</u>
<b>16 Bank borrowings</b>		
<b>a) Due to banks</b>		
Trust receipts	<u>20,548,186</u>	<u>504,983</u>
Bank borrowings are secured by:		
i) Corporate guarantee of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E and M/s. Jindal Saw Limited - India.		
ii) Assignment of all risks insurance policy covering inventories and property, plant and equipment of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. and M/s. Jindal Saw Gulf L.L.C., Abu Dhabi - U.A.E.		
iii) Charge over mortgage of property, plant and equipment of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.		
iv) Charge over inventories (note 6).		
v) Charge over trade receivables (note 8).		
<b>b) Vehicle loans</b>		
Balance at the beginning of the year	202,183	39,511
Addition during the year	-	236,700
Less: Paid during the year	(59,172)	(74,028)
Balance at the end of the year	<u>143,011</u>	<u>202,183</u>
<b>Comprising:</b>		
Current portion	59,172	59,172
Non-current portion	83,839	143,011
	<u>143,011</u>	<u>202,183</u>
Vehicle loans installments are secured by charge over specific assets (note 4).		
<b>Bank borrowings - short term liabilities</b>		
Due to banks (refer a)	20,548,186	504,983
Vehicle loans (refer b)	59,172	59,172
	<u>20,607,358</u>	<u>564,155</u>
<b>Bank borrowings - long term liabilities</b>		
Vehicle loans (refer b)	83,839	143,011
<b>Total bank borrowings</b>	<u>20,691,197</u>	<u>707,166</u>

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	<u>For the year ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>17 Revenue</b>		
Sales: Outside U.A.E.	196,812,672	239,863,184
; Within U.A.E.	<u>25,468,127</u>	<u>16,623,249</u>
	<u><u>222,280,799</u></u>	<u><u>256,486,433</u></u>
<b>18 Cost of revenue</b>		
<b>Cost of goods manufactured</b>		
Opening inventories - raw materials, spares and consumables	74,929,549	85,325,494
Add: Purchases *	108,654,229	138,161,157
Less: Closing inventories - raw materials, spares and consumables (note 6)	<u>(79,719,353)</u>	<u>(74,929,549)</u>
<b>Raw material consumed</b>	<b>103,864,425</b>	148,557,102
Utilities	16,795,210	14,863,053
Direct labour	25,142,391	28,356,744
Manufacturing overhead	5,651,165	5,263,118
Plant and machinery lease rent (note 7)	25,000,000	25,000,000
Depreciation on property, plant and equipment (note 4)	<u>3,208,478</u>	<u>4,538,452</u>
<b>Manufacturing cost</b>	<b>179,661,669</b>	226,578,469
Opening work-in-progress	4,155,959	13,558,786
Less: Closing work-in-progress (note 6)	<u>(4,800,267)</u>	<u>(4,155,959)</u>
<b>Cost of goods manufactured</b>	<b>179,017,361</b>	235,981,296
Opening inventories - finished goods	30,191,462	29,972,452
Less: Closing inventories - finished goods (note 6)	<u>(17,298,810)</u>	<u>(30,191,462)</u>
	<u><u>191,910,013</u></u>	<u><u>235,762,286</u></u>
<p>Cost of revenue includes AED Nil (2016: AED 1,139,325) being expense in respect of write down of inventories to its net realisable value.</p>		
<p>* The above purchases are stated net of AED 15,230,500 (2016: Nil) being net gains from hedging of raw materials.</p>		
<b>19 Other income</b>		
Scrap sales	89,512	493,813
Foreign exchange gain	-	238,567
Gain on sale of property plant and equipment	117,222	77,342
Miscellaneous income	<u>661,878</u>	<u>572,498</u>
	<u><u>868,612</u></u>	<u><u>1,382,220</u></u>

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	<b>For the year ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>20 Selling and distribution expenses</b>		
Distribution cost	17,542,809	17,504,950
Advertisement and marketing	2,362,866	656,251
Commission on sales	14,588,965	11,196,465
	<b>34,494,640</b>	<b>29,357,666</b>
<b>21 Administrative expenses</b>		
Salaries and related benefits	6,285,598	7,089,186
Rent	5,083,546	5,361,318
Legal, visa, professional and related expenses	1,575,866	820,253
Travelling and conveyance	708,732	690,918
Repairs and maintenance	70,141	162,279
Utilities	519,439	459,682
Telephone and communications	353,924	460,546
Depreciation on property, plant and equipment (note 4)	2,359,578	1,725,745
Foreign exchange loss	320,734	-
Insurance	882,777	1,107,459
Others	238,573	673,541
	<b>18,398,908</b>	<b>18,550,927</b>
<b>22 Finance costs</b>		
Interest *	2,854,137	7,589,909
Bank charges	953,473	1,039,412
	<b>3,807,610</b>	<b>8,629,321</b>

\* The above includes AED 1,951,926 (2016: AED 6,819,458) being interest paid to a related party (M/s. Jindal Saw Middle East FZC) for the use of working capital facility (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.

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**23 Financial instruments (continued)**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,	
	2017	2016	2017	2016
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	47,705,314	19,935,485	47,705,314	19,935,485
Other receivables	958,232	3,413,599	958,232	3,413,599
Due from a related party	1,989,888	7,721,778	1,989,888	7,721,778
Cash and bank balances	1,995,470	1,473,299	1,995,470	1,473,299
	<u>52,648,904</u>	<u>32,544,161</u>	<u>52,648,904</u>	<u>32,544,161</u>
<i>Financial liabilities</i>				
Bank borrowings	20,691,197	707,166	20,691,197	707,166
Trade and other payables	19,431,821	13,538,360	19,431,821	13,538,360
Due to related parties	6,312,802	110,965,724	6,312,802	110,965,724
Long term loan from a related party	4,317,652	-	4,317,652	-
	<u>50,753,472</u>	<u>125,211,250</u>	<u>50,753,472</u>	<u>125,211,250</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 willing parties.

Financial assets consist of cash and bank balances, due from a related party, 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.

**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.

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

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 Dirhams or currencies to which the Dirhams is fixed are as follows:

	Amounts in Foreign currency		Amounts in AED	
	2017	2016	2017	2016
Euro	20,827	757,728	81,850	3,167,303
SAR	-	10,743	-	10,978

***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	
	2017	2016
Euro	8,185	316,730
SAR	-	1,098

**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.

**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.

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**24 Financial risk management objectives (continued)***c) Liquidity risk management (continued)**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, 2017</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	47,705,314	-	47,705,314
Due from a related party	-	-	-	-	1,989,888	-	1,989,888
Other receivables	-	-	-	-	958,232	-	958,232
Cash and bank balances	-	-	-	1,995,470	-	-	1,995,470
	-	-	-	1,995,470	50,653,434	-	52,648,904
<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
	20,548,186	59,172	4,401,491	-	25,744,623	-	50,753,472
<b>As at March 31, 2016</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	19,935,485	-	19,935,485
Other receivables	-	-	-	-	3,413,599	-	3,413,599
Due from a related party	-	-	-	-	7,721,778	-	7,721,778
Cash and bank balances	-	-	-	1,473,299	-	-	1,473,299
	-	-	-	1,473,299	31,070,862	-	32,544,161
<b>Financial liabilities</b>							
Bank borrowings	504,983	59,172	143,011	-	-	-	707,166
Trade and other payables	-	-	-	-	13,538,360	-	13,538,360
Due to related parties	-	-	-	-	110,965,724	-	110,965,724
	504,983	59,172	143,011	-	124,504,084	-	125,211,250

*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 credit exposure is continuously monitored and regularly reviewed by the management and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

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

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 capital structure of the Entity consists of equity comprising issued capital, accumulated (losses) and shareholder's current account as disclosed in the financial statements.

**26 Contingent liabilities**

Letters of credit

Letters of guarantee

<u>As at March 31,</u>	
<u>2017</u>	<u>2016</u>
<u>2,190,373</u>	<u>793,087</u>
<u>2,237,914</u>	<u>2,237,914</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.

**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.

*Non-cancelable operating lease commitments*

Not longer than 1 year

Longer than 1 year and not longer than 5 years

Longer than 5 years

<u>As at March 31,</u>	
<u>2017</u>	<u>2016</u>
<u>4,622,691</u>	<u>4,622,691</u>
<u>18,490,764</u>	<u>18,490,764</u>
<u>83,208,438</u>	<u>87,831,129</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 commitment on the Entity's financial statements as of the 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 equity.