

**Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates**

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

Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

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Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

General information

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Website : www.jindalsaw.com

The Directors	Name	Nationality
	Mr. Anil Kumar Kejriwal	Indian
	Mr. Ankit Shah	Indian
	Mr. Mohammad Faiz Wase	Indian
	Mr. Hitesh Agarwal	Indian

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

The Banks : Commercial Bank of Dubai
Commercial Bank International
Emirates NBD
Axis Bank Limited

Ref: JM/AR/18/11190

Independent auditor's report

To,

The Shareholders

M/s. Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Report on the audit of separate financial statements

Opinion

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

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

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

In preparing separate 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 separate 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 separate 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

Report on other legal and regulatory requirements

As required by the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992, we further confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 Separate financial statements have been prepared and comply, in all material respects, with the applicable provisions of the above mentioned law and the Articles of Incorporation of the Entity.
- 3 Proper books of accounts have been maintained by the Entity.

Report on other legal and regulatory requirements (continued)

- 4 Investment in shares are included in note 5 to separate financial statements and include purchase and investments made by the Entity during the year ended March 31, 2018.
- 5 Note 14 to separate financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 6 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 above mentioned law or the Articles of Incorporation of the Entity, which would materially affect its activities or its financial position as at March 31, 2018.

For Horwath Mak**James Mathew FCA, CPA (USA)**

Senior Partner

Reg. No. 548

May 15, 2018



Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates


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

	Notes	2018	2017
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	268,800,557	286,443,889
Investment in a subsidiary	5	289,658,917	251,790,372
<i>Total non current assets</i>		<u>558,459,474</u>	<u>538,234,261</u>
<i>Current assets</i>			
Inventories	6	209,397	555,074
Advances, deposits and other receivables	7	3,725,959	13,133,044
Cash and bank balances	8	177,415	6,851,482
<i>Total current assets</i>		<u>4,112,771</u>	<u>20,539,600</u>
Total assets		<u><u>562,572,245</u></u>	<u><u>558,773,861</u></u>
Shareholders' equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	9	66,000,000	66,000,000
Accumulated (losses)	10	(57,574,183)	(46,755,172)
Shareholders' current account	11	41,452,316	41,452,316
<i>Total shareholders' equity</i>		<u>49,878,133</u>	<u>60,697,144</u>
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	12	140,377,500	130,602,952
Long term loans from related parties	14	297,475,736	249,918,781
<i>Total non-current liabilities</i>		<u>437,853,236</u>	<u>380,521,733</u>
<i>Current liabilities</i>			
Bank borrowings - current portion	12	62,939,072	91,038,199
Accounts and other payables	13	10,764,029	14,256,327
Due to a related party	14	1,137,775	12,260,458
<i>Total current liabilities</i>		<u>74,840,876</u>	<u>117,554,984</u>
Total liabilities		<u>512,694,112</u>	<u>498,076,717</u>
Total shareholders' equity and liabilities		<u><u>562,572,245</u></u>	<u><u>558,773,861</u></u>

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

The report of the auditor is set out on pages 2 to 4.

Separate financial statements on pages 5 to 28 were approved on May 14, 2018 and signed on behalf of the Entity by:



Director

Director

Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

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

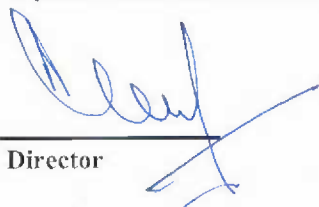
(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue	15	469,450	-
Cost of revenue	16	<u>(469,453)</u>	-
Gross (loss)		(3)	-
Lease rental income - net	17	6,664,239	6,057,216
Other income	18	310,800	17,175
Administrative expenses	19	<u>(220,923)</u>	<u>(423,537)</u>
Finance costs	20	<u>(17,573,124)</u>	<u>(15,000,963)</u>
(Loss) for the year		(10,819,011)	(9,350,109)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss) for the year		<u>(10,819,011)</u>	<u>(9,350,109)</u>

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

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Separate financial statements on pages 5 to 28 were approved on May 14, 2018 and signed on behalf of the Entity by:



Director

Director

Jindal Saw Middle East FZC
 Fujairah Free Zone
 Fujairah - United Arab Emirates

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

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholders' current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2016	66,000,000	(37,405,063)	57,734,042	86,328,979
(Loss) for the year	-	(9,350,109)	-	(9,350,109)
Net movements during the year	-	-	(16,281,726)	(16,281,726)
Balance as at March 31, 2017	66,000,000	(46,755,172)	41,452,316	60,697,144
(Loss) for the year	-	(10,819,011)	-	(10,819,011)
Balance as at March 31, 2018	66,000,000	(57,574,183)	41,452,316	49,878,133

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

The report of the auditor is set out on pages 2 to 4.

Jindal Saw Middle East FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

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

(In Arab Emirates Dirham)

	2018	2017
Cash flows from operating activities		
(Loss) for the year	(10,819,011)	(9,350,109)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	18,335,761	18,942,784
Loss on disposal of property plant and equipment	-	248,876
Operating profit before changes in operating assets and liabilities	7,516,750	9,841,551
<i>(Increase)/decrease in current assets</i>		
Inventories	345,677	61,405
Advances, deposits and other receivables	9,407,085	1,844,812
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payables	(3,492,298)	518,139
Due to a related party	(11,122,683)	(3,144,096)
Net cash from operations	2,654,531	9,121,811
Cash flows from investing activities		
Investment in a subsidiary	(37,868,545)	(8,670,256)
Proceeds from sale of property, plant and equipment	-	510,633
Acquisition of property plant and equipment	(692,429)	(243,115)
Net cash (used in) investing activities	(38,560,974)	(8,402,738)
Cash flows from financing activities		
(Repayment) from term loans	(33,759,769)	(43,534,317)
Proceeds of long term loan from related parties	47,556,955	49,781,654
Proceeds from bank borrowings	15,435,190	9,234,577
Shareholders' current account	-	(16,281,726)
Net cash from/(used in) financing activities	29,232,376	(799,812)
Net (decrease) in cash and cash equivalents	(6,674,067)	(80,739)
Cash and cash equivalents, beginning of the year	6,851,482	6,932,221
Cash and cash equivalents, end of the year	177,415	6,851,482
Cash and cash equivalents		
Cash in hand	760	760
Cash at banks	176,655	6,850,722
	177,415	6,851,482

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

The report of the auditor is set out on pages 2 to 4.

Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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

1 Legal status and business activities

- 1.1 M/s. Jindal Saw Middle East FZC, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on October 19, 2009 as a Free Zone Company with Limited Liability and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority, Government of Fujairah, Fujairah - United Arab Emirates.
- 1.2 The Entity is licensed by Fujairah Free Zone Authority to engage in general trading.
- 1.3 The registered address of the Entity is P.O. Box: 50534, Fujairah Free Zone, Fujairah - United Arab Emirates.
- 1.4 The management and control are vested with the Directors, Mr. Hitesh Agarwal and Mr. Anil Kumar Kejriwal (both are Indian nationals).
- 1.5 These separate financial statements incorporate the operating results of the Commercial license no. 2641.

2 New and amended standards

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

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

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

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

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

New and revised standards and amendments

Effective for annual periods beginning on or after

Annual Improvements to IFRS Standards 2014-2016 Cycle on 8 December 2016, amending the standards: IFRS 1- First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures.	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation clarifies the date of the transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts.	January 1, 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2-Share-based Payment) contains the clarifications and amendments: The amendments pertains to accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight.	January 1, 2018

Jindal Saw Middle East FZC

Fujairah Free Zone

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

2 New and amended standards (continued)

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

New and revised standards and amendments

Effective for annual periods

beginning on or after

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

January 1, 2018

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

January 1, 2018

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

January 1, 2019

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

July 1, 2018

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

January 1, 2018

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

January 1, 2019

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

January 1, 2021

Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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

2 New and amended standards (continued)

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

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 separate financial statements in the period of initial application.

3 Significant accounting policies

3.1 Statement of compliance

Separate financial statements have been prepared in accordance with International Financial Reporting Standards. 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 separate 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 separate financial statements are set out below.

3.3 Current/Non current classification

The Entity presents assets and liabilities in 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 normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

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

The Entity classifies all other liabilities as non-current.

3.4 Foreign currency

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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

3 Significant accounting policies (continued)

3.4 Foreign currency (continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment are 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 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 and improvements	20
Plant and machinery	20
Tools and equipment	10 - 20
Electrical installation	20
Moulds	Usage basis

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 and leasehold improvements are being depreciated over the period from when it became available for use up to the end of the lease term or useful life, whichever is shorter.

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 investment property 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.

Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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

3 Significant accounting policies (continued)

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.

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 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 statement of profit or loss.

3.7 Investments in subsidiary

The investments in subsidiary is accounted for using cost method as suggested by IAS 39 "Financial Instruments: Recognition and Measurement with an exemption of IFRS 10 "Consolidated and Separate Financial Statements" where the Entity has not opted to consolidate its subsidiary.

3.8 Financial instruments

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

3.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), '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 "advances, deposits and other receivables" and "cash and cash equivalents" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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

3 Significant accounting policies (continued)

3.9 Financial assets (continued)

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.

Accounts and other receivables

Accounts 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. Accounts and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

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, default, the probability that they will enter bankruptcy, 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 statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Derecognition of financial assets

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

3 Significant accounting policies (continued)

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 accounts and other payables, loans and borrowings including bank overdrafts, due to a related party and loans from related parties.

Accounts and other payables

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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. Accounts 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

Loans and other 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.

3 Significant accounting policies (continued)

3.13 Provisions (continued)

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.

3.14 Revenue recognition

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

Sale of goods

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

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

Rental income

The Entity's policy for recognition of revenue from operating lease as rental income which is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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 are 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 an 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.

3 Significant accounting policies (continued)

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

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 separate financial statements.

Revenue recognition

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

Property, plant and equipment their 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.

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.

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.

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4 Property, plant and equipment

	<u>Building and improvements</u>	<u>Plant and machinery</u>	<u>Tools and equipment</u>	<u>Moulds</u>	<u>Electrical installation</u>	<u>work-in-progress</u>	<u>Total</u>
Cost							
As at March 31, 2016	38,114,845	226,925,982	16,831,065	15,647,468	66,284,338	2,466,253	366,269,951
Additions during the year	-	239,925	-	-	-	3,190	243,115
Transferred during the year	-	2,015,244	-	-	-	(2,015,244)	-
Disposal during the year (note 14)	-	(346,801)	(1,589,611)	-	-	-	(1,936,412)
As at March 31, 2017	38,114,845	228,834,350	15,241,454	15,647,468	66,284,338	454,199	364,576,654
Additions during the year	-	306,019	-	-	-	386,410	692,429
As at March 31, 2018	38,114,845	229,140,369	15,241,454	15,647,468	66,284,338	840,609	365,269,083
Accumulated depreciation							
As at March 31, 2016	5,880,647	32,151,093	3,679,381	8,626,251	10,029,512	-	60,366,884
Charge for the year	1,905,742	11,427,286	1,558,360	737,179	3,314,217	-	18,942,784
Eliminated on disposal during the year (note 14)	-	(46,319)	(1,130,584)	-	-	-	(1,176,903)
As at March 31, 2017	7,786,389	43,532,060	4,107,157	9,363,430	13,343,729	-	78,132,765
Charge for the year	1,905,742	11,522,017	1,383,717	210,068	3,314,217	-	18,335,761
As at March 31, 2018	9,692,131	55,054,077	5,490,874	9,573,498	16,657,946	-	96,468,526
Carrying value as at March 31, 2018	28,422,714	174,086,292	9,750,580	6,073,970	49,626,392	840,609	268,800,557
Carrying value as at March 31, 2017	30,328,456	185,302,290	11,134,297	6,284,038	52,940,609	454,199	286,443,889

Notes:

- Building and improvements represent a factory constructed on Plot no. 11 NR 28, Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates. The said plot is obtained on lease by the subsidiary (M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - United Arab Emirates from Higher Corporation for Specialised Economic Zones (Corp Zone), Abu Dhabi - United Arab Emirates. The leasehold rights have been assigned against the bank credit facilities (note 12).
- The above property, plant and equipment are leased by the Entity to a related party, M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - United Arab Emirates (note 17).
- Plant and machinery are mortgaged to banks against credit facilities (note 12).
- Depreciation AED 18,335,761 (2017:AED 18,942,784) charged to lease rental income (note 17).
- Capital work-in-progress represents costs of plant and machinery under installation, pending capitalisation (note 25).

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5 Investment in a subsidiary	<u>Proportion of ownership interest</u>	<u>Proportion of voting power</u>	<u>2018</u>	<u>2017</u>
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.				
- Investment in share capital	49%	49%	147,000	147,000
- Additional investment			<u>289,511,917</u>	<u>251,643,372</u>
			<u>289,658,917</u>	<u>251,790,372</u>

Investment in subsidiary represents 49% equity interest (147 shares of AED 1,000 each) and an additional long term investment in capital employed of M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. The principal activities of the subsidiary consist of manufacturing all types of steel pipes and related accessories and pipelines and metal products coating.

Though the Entity holds 49% equity interest, it has power to govern the investee entity as remaining 51% shares are held by a local sponsor for and on behalf of the Entity and thus it is considered as a 100% subsidiary.

The investment in a subsidiary has been separately accounted at cost in these financial statements as an exemption to consolidate in accordance with IFRS 10 "Consolidated financial statements". The Entity also prepares consolidated financial statements in accordance with IFRS 10.

	<u>2018</u>	<u>2017</u>
6 Inventories		
Stores and spares	<u>209,397</u>	<u>555,074</u>

The above inventories are lying at the warehouse of the subsidiary in Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates and are hypothecated against credit facilities (note 12).

7 Advances, deposits and other receivables		
Prepayments	590,426	6,797,649
Margin deposit *	3,117,665	6,235,330
Other deposits	5,000	5,000
Advances to suppliers	-	95,065
Other receivables	<u>12,868</u>	-
	<u>3,725,959</u>	<u>13,133,044</u>

* Margin deposit is given on behalf of a related party to a bank for issuance of performance guarantee (note 24).

8 Cash and bank balances		
Cash in hand	760	760
Cash at banks	<u>176,655</u>	<u>6,850,722</u>
	<u>177,415</u>	<u>6,851,482</u>

9 Share capital

Authorised, issued and paid up capital of the Entity is AED 66,000,000 divided into 1,000 shares of AED 66,000 each fully paid.

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9 Share capital (continued)

The details of the shareholding as at March 31, 2018 are as follows:

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2018</u>	<u>2017</u>
M/s. Jindal Saw Holdings FZE (represented Mr. Anil Kumar Kejriwal)	U.A.E.	75	750	49,500,000	49,500,000
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	U.A.E.	25	250	16,500,000	16,500,000
		100	1,000	66,000,000	66,000,000
				2018	2017

10 Accumulated (losses)

Balance at the beginning of the year	(46,755,172)	(37,405,063)
(Loss) for the year	(10,819,011)	(9,350,109)
Balance at the end of the year	(57,574,183)	(46,755,172)

11 Shareholders' current account

Balance at the beginning of the year	41,452,316	57,734,042
Net movements during the year	-	(16,281,726)
Balance at the end of the year	41,452,316	41,452,316

Breakup of shareholders' current account:

<u>Name of Shareholders</u>	<u>As at March 31, 2017</u>	<u>Net movements</u>	<u>As at March 31, 2018</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Anil Kumar Kejriwal)	31,307,877	-	31,307,877
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	10,144,439	-	10,144,439
	41,452,316	-	41,452,316

The above accounts are subordinated against facilities granted by the banks (note 12).

12 Bank borrowings

a) Due to banks

	<u>2018</u>	<u>2017</u>
Bank overdrafts	14,102,163	11,631,882
Short term loans *	10,000,000	10,000,000
Trust receipts	38,836,909	25,872,000
	62,939,072	47,503,882

* The above short term loans were obtained to part finance the working capital requirements and are repayable within six months.

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12 Bank borrowings (continued)

a) Due to banks (continued)

Due to banks are secured by:

- i) Corporate guarantees from M/s. Jindal Saw Limited - India and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- ii) Commercial mortgage on the non-fixed assets of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. (note 4).
- iii) Pledge over 49% equity interest in M/s. Jindal Saw Gulf (L.L.C.), held by the Entity.
- iv) Pledge over 75% equity shares of the Entity held by M/s. Jindal Saw Holdings FZE, Fujairah - United Arab Emirates.
- v) Assignment of leasehold rights of Jindal Saw Gulf (L.L.C.) (note 4).
- vi) Assignment of all risk insurance policies of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. in so far as it related solely to any non-fixed assets.
- vii) Assignment of receivables of the Entity.
- viii) Subordination of shareholders' loan and current account (notes 11 and 14).
- ix) Subordination of loan from a related party, M/s. Sathi International FZE, Ras Al Khaimah - United Arab Emirates (note 14).

b) Term loans

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	174,137,269	217,671,586
Less: Paid during the year	(174,137,269)	(43,534,317)
Addition during the year	140,377,500	-
Balance at the end of the year	<u>140,377,500</u>	<u>174,137,269</u>
Comprising:		
Current portion	-	43,534,317
Non-current portion	140,377,500	130,602,952
	<u>140,377,500</u>	<u>174,137,269</u>

The Entity had obtained a syndicated loan from financial institutions for financing working capital and capital expenditure during the year 2014-2015. The loan carried interest @ six month EIBOR + 3.25% per annum and was repayable in 10 equal half yearly installments commencing from May 04, 2016. During the year, vide an agreement dated December 21, 2017, Axis Bank Limited took over the outstanding liabilities, with a sanction limit of USD 44,000,000 (AED 161,480,000). The new loan carries interest @ LIBOR + 2.50% per annum and is repayable in 9 unequal installments, commencing from May 15, 2019.

Term loan is secured by:

- i) Corporate guarantees from M/s. Jindal Saw Limited - India, M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. and related party.
- ii) Commercial mortgage on the fixed and non-fixed assets of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. (note 4).
- iii) Pledge over 49% equity interest in M/s. Jindal Saw Gulf (L.L.C.), held by the Entity.

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12 Bank borrowings (continued)

Term loan is secured by (continued)

- iv) Pledge over 75% equity shares of the Entity held by M/s. Jindal Saw Holdings FZE, Fujairah - United Arab Emirates.
- v) Assignment of leasehold rights of Jindal Saw Gulf (L.L.C.) (note 4).
- vi) Assignment of all risk insurance policies of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- vii) Assignment receivables of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- viii) Subordination of shareholders' loan and current account (notes 11 and 14).
- ix) Subordination of loan from a related party, M/s. Sathi International FZE, Ras Al Khaimah - United Arab Emirates (note 14).

	2018	2017
Bank borrowings - short term liabilities		
Due to banks (refer a)	62,939,072	47,503,882
Term loans (refer b)	-	43,534,317
	<u>62,939,072</u>	<u>91,038,199</u>
Bank borrowings - long term liabilities		
Term loans (refer b)	140,377,500	130,602,952
	<u>140,377,500</u>	<u>130,602,952</u>
Total bank borrowings	<u>203,316,572</u>	<u>221,641,151</u>
13 Accounts and other payables		
Accounts payable for capital goods	10,104,821	10,122,188
Provisions and accruals	659,208	4,134,139
	<u>10,764,029</u>	<u>14,256,327</u>
14 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.

	2018	2017
a) Due to a related party		
<i>Ultimate parent</i>		
M/s. Jindal Saw Limited - India	1,137,775	12,260,458
b) Long term loans from related parties		
<i>Shareholder</i>		
M/s. Jindal Saw Holdings FZE, Fujairah - U.A.E.*	94,701,099	106,231,144
<i>Entity under common management and control</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.*	202,774,637	143,687,637
	<u>297,475,736</u>	<u>249,918,781</u>

* The above loans are interest free, without fixed repayment terms and are subordinated against credit facilities (note 12).

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14 Related party transactions (continued)

c) Transactions with related parties

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

	For the year ended March 31,	
	2018	2017
Sales	469,450	-
Purchase	117,120	-
Interest paid to related parties (note 20)	1,076,929	2,625,000
Rental income (note 17)	25,000,000	25,000,000
Proceeds from sales of property, plant and equipment (note 4)	-	510,633
Interest charges recovered from a related party (note 20)	2,282,292	1,951,926
	For the year ended March 31,	
	2018	2017
15 Revenue		
Sales : Within U.A.E.	469,450	-
16 Cost of revenue		
Cost of goods sold	469,453	-
17 Lease rental income - net		
Lease rental income* (note 14)	25,000,000	25,000,000
Less: Depreciation on property, plant and equipment (note 4)	(18,335,761)	(18,942,784)
	6,664,239	6,057,216
* The above lease rentals are charged to a related party, M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. for lease of property, plant and equipment (note 4).		
18 Other income		
Foreign exchange gain- net	121,123	-
Others	189,677	17,175
	310,800	17,175
19 Administrative expenses		
Rent	19,000	13,500
Legal and professional expenses	13,853	33,594
Audit fee	20,000	20,000
Repair and maintenance	168,070	106,308
Loss on sale of property, plant and equipment	-	248,876
Foreign exchange loss (net)	-	1,259
	220,923	423,537

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	For the year ended March 31,	
	2018	2017
20 Finance costs		
Interest on term loans*	7,510,334	8,902,462
Interest paid to related parties #	1,076,929	2,625,000
Bank and finance charges	7,642,678	2,125,612
Interest rate swap	1,343,183	1,347,889
	17,573,124	15,000,963

* The above interest on term loans is net of AED 2,282,292 (2017: AED 1,951,926) being interest recovered from M/s. Jindal Saw Gulf (L.L.C.) for the use of working capital facilities (note 14).

The above represents AED 1,076,929 (2017: AED 2,625,000) being interest paid to a related party (Ultimate parent) for providing corporate guarantee against credit facilities (note 14).

21 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 separate financial statements.

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

	As at March 31,		As at March 31,	
	2018	2017	2018	2017
<i>Financial assets</i>	Carrying amount		Fair value	
Other receivables	3,135,533	6,240,330	3,135,533	6,240,330
Cash and bank balances	177,415	6,851,482	177,415	6,851,482
	3,312,948	13,091,812	3,312,948	13,091,812
<i>Financial liabilities</i>				
Bank borrowings	203,316,572	221,641,151	203,316,572	221,641,151
Accounts and other payables	10,764,029	14,256,327	10,764,029	14,256,327
Due to a related party	1,137,775	12,260,458	1,137,775	12,260,458
Long term loans from related parties	297,475,736	249,918,781	297,475,736	249,918,781
	512,694,112	498,076,717	512,694,112	498,076,717

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 and other receivables. Financial liabilities consist of bank borrowings, accounts and other payables, due to a related party and long term loans from related parties.

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:

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, were not materially different from their calculated fair values.

21 Financial instruments (continued)

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

The fair value of other financial liabilities, 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.

22 Financial risk management objectives

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

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

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

a) Foreign currency risk management

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

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

	Amounts in foreign currency		Amounts in AED	
	2018	2017	2018	2017
Euro	391	392	1,771	1,541

Foreign currency sensitivity analysis

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

	Profit or loss	
	2018	2017
Euro	177	154

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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22 Financial risk management objectives (continued)

b) *Interest rate risk management (continued)*

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's financial result for the year then ended would (decrease)/increase by AED 1,016,583 (2017: (decrease)/increase by AED 1,108,206).

c) *Liquidity risk management*

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

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

Liquidity and interest risk tables:

The table on the following page 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 is monitored by management to ensure adequate liquidity were maintained. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were also shown on the following page:

Particulars	Interest bearing			Non-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 assets							
Other receivables	-	-	-	-	3,135,533	-	3,135,533
Cash and bank balances	-	-	-	177,415	-	-	177,415
	-	-	-	177,415	3,135,533	-	3,312,948
Financial liabilities							
Bank borrowings	14,102,163	48,836,909	140,377,500	-	-	-	203,316,572
Accounts and other payables	-	-	-	-	10,764,029	-	10,764,029
Due to a related party	-	-	-	-	1,137,775	-	1,137,775
Long term loans from related parties	-	-	94,701,099	-	-	202,774,637	297,475,736
	14,102,163	48,836,909	235,078,599	-	11,901,804	202,774,637	512,694,112

Notes to separate financial statements for the year ended March 31, 2018
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22 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

Particulars	Interest bearing		Non-Interest bearing			Total
	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, 2017						
Financial assets						
Other receivables	-	-	-	6,240,330	-	6,240,330
Cash and bank balances	-	-	6,851,482	-	-	6,851,482
	-	-	6,851,482	6,240,330	-	13,091,812
Financial liabilities						
Bank borrowings	37,503,882	53,534,317	130,602,952	-	-	221,641,151
Accounts and other payables	-	-	-	14,256,327	-	14,256,327
Due to a related party	-	-	-	12,260,458	-	12,260,458
Long term loans from related parties	-	-	106,231,144	-	-	249,918,781
	37,503,882	53,534,317	236,834,096	26,516,785	143,687,637	498,076,717

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.

Details of credit risks on other receivables are disclosed in note 7 to separate 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 separate financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

23 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 the stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

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

Jindal Saw Middle East FZC
 Fujairah Free Zone
 Fujairah - United Arab Emirates

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23 Capital risk management (continued)

Gearing ratio

The gearing ratio at the year end was as follows:

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
Debt (i)	203,316,572	221,641,151
Cash and cash equivalents	(177,415)	(6,851,482)
Net debt	<u>203,139,157</u>	<u>214,789,669</u>
Equity (ii)	<u>49,878,133</u>	<u>60,697,144</u>
Net debt to equity ratio	<u>4:1</u>	<u>7:2</u>

i) Debt is defined as bank borrowings, and term loan as detailed in note 12.

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

24 Contingent liabilities

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
Letters of guarantee*	6,355,354	6,367,768
Letters of credit	<u>1,119,924</u>	<u>-</u>
Interest rate swap - onerous contract	<u>-</u>	<u>1,253,114</u>

* The above includes AED 6,235,330 (2017: AED 6,235,330) being guarantees provided on behalf of a related party.

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 or commitment on the Entity's separate financial statements as of the reporting date.

25 Commitments

	<u>As at March 31,</u>	
	<u>2018</u>	<u>2017</u>
Commitments for capital work-in-progress (note 4)	<u>568,290</u>	<u>954,700</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 or commitment on the Entity's separate financial statements as of the reporting date.

26 Comparative amounts

Certain amounts for the prior year were reclassified 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.