

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

Independent auditors' report and financial statements
For the year ended March 31, 2016

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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Fujairah - United Arab Emirates
T: +971 9 2282978
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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 Auditors : Horwath Mak
P.O. Box: 262794
Dubai - United Arab Emirates

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

Ref: JM/AR/16/9203

Independent auditors' report

To,

The Shareholders

M/s. Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Report on the financial statements

We have audited the accompanying 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, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, applicable requirements of the UAE Laws and for such internal controls as management determines which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **M/s. Jindal Saw Middle East FZC**, Fujairah Free Zone, Fujairah - United Arab Emirates as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the Rules and Regulations framed pursuant to Emiri Decree no. 6 of 1987 issued in Fujairah in respect of creation of Free Zone amended by Emiri Decree no. 1 for the year 1992, we report that:

- i) we have obtained all the information which we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the above mentioned law;
- iii) the Entity has maintained proper books of account;
- iv) the Entity has not purchased or invested in shares during the year ended March 31, 2016;
- v) note 14 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vi) 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 year ended March 31, 2016, any of the applicable provisions of the above mentioned law or of its Memorandum of Association which would materially affect its activities or its financial position as at March 31, 2016.

For Horwath Mak


James Mathew FCA, CPA (USA)
Managing Partner
Reg. No. 548
May 11, 2016



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

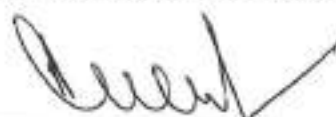
Statement of financial position as at March 31, 2016
(In Arab Emirates Dirhams)

	Notes	2016	2015
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	305,903,067	313,590,459
Investment in a subsidiary	5	140,580,009	179,965,824
<i>Total non current assets</i>		446,483,076	493,556,283
<i>Current assets</i>			
Inventories	6	616,479	1,147,675
Due from a related party	14	102,540,107	53,166,937
Advances, deposits and other receivables	7	14,977,856	17,955,102
Cash and bank balances	8	6,932,221	749,786
<i>Total current assets</i>		125,066,663	73,019,500
Total assets		571,549,739	566,575,783
Equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	9	66,000,000	66,000,000
Accumulated (losses)	10	(37,405,063)	(29,563,576)
Shareholders' current account	11	57,734,042	57,734,042
<i>Total shareholders' equity</i>		86,328,979	94,170,466
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	12	174,137,269	210,975,340
Long term loan from a related party	14	88,121,590	-
<i>Total non-current liabilities</i>		262,258,859	210,975,340
<i>Current liabilities</i>			
Bank borrowings - current portion	12	81,803,622	163,989,707
Short term loan from a related party	14	112,015,537	71,645,538
Accounts and other payables	13	13,738,188	18,467,899
Due to related parties	14	15,404,554	7,326,833
<i>Total current liabilities</i>		222,961,901	261,429,977
Total liabilities		485,220,760	472,405,317
Total shareholders' equity and liabilities		571,549,739	566,575,783

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

The report of the auditors is set out on pages 2 and 3.

The financial statements on pages 4 to 28 were approved on May 10, 2016 and signed on behalf of the Entity by:



Mr. Anil Kumar Kejriwal
Director




Mr. Hitesh Agarwal
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, 2016
 (In Arab Emirates Dirhams)

	Notes	2016	2015
Revenue	15	49,373,170	53,166,937
Cost of revenue	16	(48,485,583)	(52,130,814)
Gross profit		887,587	1,036,123
Lease rental income - net	17	6,638,894	32,645
Other income	18	155,942	82,382
Administrative expenses	19	(1,273,026)	(573,335)
Finance costs	20	(14,250,884)	(14,323,528)
(Loss) for the year		(7,841,487)	(13,745,713)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(7,841,487)	(13,745,713)

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

The report of the auditors is set out on pages 2 and 3.

The financial statements on pages 4 to 28 were approved on May 10, 2016 and signed on behalf of the Entity by:


 Mr. Anil Kumar
 Director




 Mr. Hitesh Agarwal
 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, 2016
 (In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholders' current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2014	66,000,000	(15,817,863)	80,773,744	130,955,881
(Loss) for the year		(13,745,713)	-	(13,745,713)
Net movements during the year	-	-	(23,039,702)	(23,039,702)
Balance as at March 31, 2015	66,000,000	(29,563,576)	57,734,042	94,170,466
(Loss) for the year	-	(7,841,487)	-	(7,841,487)
Balance as at March 31, 2016	66,000,000	(37,405,063)	57,734,042	86,328,979

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

The report of the auditors is set out on pages 2 and 3.

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

Statement of cash flows for the year ended March 31, 2016
(In Arab Emirates Dirhams)

	2016	2015
Cash flows from operating activities		
(Loss) for the year	(7,841,487)	(13,745,713)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	18,361,106	19,967,355
Loss on disposal of property plant and equipment	-	23,127
Operating profit before changes in operating assets and liabilities	10,519,619	6,244,769
<i>(Increase)/decrease in current assets</i>		
Inventories	531,196	(1,147,675)
Advances, deposits and other receivables	2,977,246	(17,760,972)
Due from a related party	(49,373,170)	(53,166,937)
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payables	(4,729,711)	5,259,354
Due to related parties	8,077,721	2,895,560
Net cash (used in) operations	(31,997,099)	(57,675,901)
Cash flows from investing activities		
Investment in a subsidiary	39,385,815	12,707,630
Proceeds from sale of property, plant and equipment	-	207,759
Acquisition of property plant and equipment	(10,673,714)	(3,564,792)
Net cash from investing activities	28,712,101	9,350,597
Cash flows from financing activities		
Proceeds from term loans	6,696,246	15,299,111
Loan from a related party	128,491,589	3,411,692
(Repayment)/proceeds from bank borrowings	(125,720,402)	51,133,654
Shareholders' current account	-	(23,039,702)
Net cash from financing activities	9,467,433	46,804,755
Net increase/(decrease) in cash and cash equivalents	6,182,435	(1,520,549)
Cash and cash equivalents, beginning of the year	749,786	2,270,335
Cash and cash equivalents, end of the year	6,932,221	749,786
Represented by:		
Cash in hand	760	2,340
Cash at banks	6,931,461	747,446
	6,932,221	749,786

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

The report of the auditors is set out on pages 2 and 3.

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 principal activities of the Entity consist of general trading.
- 1.3 The registered address of the Entity is P.O. Box: 5232, 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 The Entity is a subsidiary of M/s. Jindal Saw Holdings FZE (the "Parent Entity"). The Entity prepares consolidated financial statements in accordance with IAS 27 "Separate Financial Statements" and incorporate the operating results of the Commercial license No. 2641.

2 Application of new and revised International Financial Reporting Standards (IFRS)

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective.
- IFRS 2 "Share Based Payments": Clarified the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- IFRS 3 "Business Combinations": Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.
- IFRS 3 "Business Combinations": Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 8 "Operating Segments": Requires to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that a reconciliations of the total of the reportable segments' assets must only be disclosed if the segment assets are reported regularly.
- IFRS 13 "Fair Value Measurement": Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial and also clarifies that the scope of the portfolio exception defined in IFRS 13 applies to all contracts accounted for within the scope of IAS 39 and IFRS 9.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarifies that when an item of property, plant and equipment or intangible assets is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles (continued)

• IAS 24 "Related Party Disclosures": Clarifies that when an entity receives management personnel services from a third party, the fees paid for those services must be disclosed by the reporting entity.

• IAS 40 "Investment property": Clarifies that the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Amendments to IAS 19 "Employee Benefits": The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRSs in issue but not yet effective

New and revised IFRSs

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

Amendments to IFRS 7 "Financial Instruments": Disclosures relating to disclosures about the initial application of IFRS 9. Applies when IFRS 9 is applied

IFRS 7 "Financial Instruments: Disclosures": Additional Hedge Accounting Disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. Applies when IFRS 9 is applied

IFRS 9 "Financial Instruments": IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015. 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

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures ": Clarifies that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business. January 1, 2016

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. January 1, 2016

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

Effective for annual periods
 beginning on or after

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. January 1, 2016

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. January 1, 2016

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. January 1, 2016

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. January 1, 2016

Amendments to IAS 1 "Presentation of Financial Statements" to address perceived impediments to preparers exercising their judgment in presenting their financial reports. January 1, 2016

Annual Improvements to IFRS 2012 - 2014 Cycle January 1, 2016

- 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": additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. IFRS 7 also clarifies the additional disclosures relating to the offsetting of financial assets and financial liabilities to be included in interim reports required by IAS 34.

- 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.

- IAS 34 "Interim Financial Reporting": Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

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, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements in the period of initial application.

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 properties and 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 statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to 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

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.

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.

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 Significant accounting policies (continued)

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
Moulds	Usage basis
Electrical installation	20

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.

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.

3 Significant accounting policies (continued)

3.6 Impairment of tangible assets (continued)

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 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 "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.

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.

3 Significant accounting policies (continued)

3.9 Financial assets (continued)

Due from/loan to a related party

Amounts due from/loans to 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, 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 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 (such as an improvement in the debtor's credit rating), 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.

3.10 Financial liabilities

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

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. Trades 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. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

3 Significant accounting policies (continued)

3.10 Financial liabilities (continued)

Due to/loan from related parties

Amounts due to/loan 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.

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.

3 Significant accounting policies (continued)

3.14 Revenue recognition (continued)

Sale of goods

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

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

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

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.

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

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.

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.

Investment property

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.

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

The gross carrying amounts and accumulated depreciations is shown below:

	Building and improvements	Plant and machinery	Tools and equipment	Moulds	Electrical installation	Capital work in progress	Total
Cost							
As at March 31, 2014	38,114,845	202,043,628	13,981,065	15,647,468	64,313,629	18,188,067	352,288,702
Additions during the year	-	-	-	-	1,970,709	1,042,775	3,013,484
Transferred from a related party (note 14)	-	144,506	-	-	-	406,802	551,308
Transferred during the year	-	19,230,842	-	-	-	(19,230,842)	-
Transferred to a related party (note 14)	-	(92,759)	-	-	-	-	(92,759)
Disposal during the year	-	(164,498)	-	-	-	-	(164,498)
As at March 31, 2015	38,114,845	221,161,719	13,981,065	15,647,468	66,284,338	406,802	355,596,237
Additions during the year	-	5,764,263	2,850,000	-	-	2,059,451	10,673,714
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
Accumulated depreciation							
As at March 31, 2014	2,069,163	10,898,342	1,258,803	4,340,882	3,497,604	-	22,064,794
Charge for the year	1,905,742	10,146,255	1,157,338	3,540,329	3,217,691	-	19,967,355
Transferred to a related party (note 14)	-	(9,353)	-	-	-	-	(9,353)
Eliminated on disposal during the year	-	(17,018)	-	-	-	-	(17,018)
As at March 31, 2015	3,974,905	21,018,226	2,416,141	7,881,211	6,715,295	-	42,005,778
Charge for the year	1,905,742	11,132,867	1,263,240	745,040	3,314,217	-	18,361,106
As at March 31, 2016	5,880,647	32,151,093	3,679,381	8,626,251	10,029,512	-	60,366,884
Carrying value as at March 31, 2016	32,234,198	194,774,889	13,151,684	7,021,217	56,254,826	2,466,253	305,903,067
Carrying value as at March 31, 2015	34,139,940	200,143,493	11,564,924	7,766,257	59,569,043	406,802	313,590,459

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 from a related party (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 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 18,361,106 (2015:19,967,355) charged to lease rental income (note 17).

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5 Investment in a subsidiary		<u>2016</u>	<u>2015</u>
	<u>Proportion of ownership interest</u>	<u>Proportion of voting power</u>	
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.			
- Investment in share capital	49%	49%	147,000
- Additional investment			147,000
			<u>140,433,009</u>
			<u>179,818,824</u>
			<u>140,580,009</u>
			<u>179,965,824</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 interests, 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>2016</u>	<u>2015</u>
6 Inventories		
Stores and spares	<u>616,479</u>	<u>1,147,675</u>
The above inventories are lying at a warehouse in Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates are hypothecated against credit facilities (note 12).		
7 Advances, deposits and other receivables		
Prepayments	8,622,526	9,904,730
Margin deposit *	6,235,330	6,235,330
Other deposits	5,000	5,000
Advances to suppliers	-	1,695,042
Other receivables	115,000	115,000
	<u>14,977,856</u>	<u>17,955,102</u>

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

8 Cash and bank balances		
Cash in hand	760	2,340
Cash at banks	6,931,461	747,446
	<u>6,932,221</u>	<u>749,786</u>

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9 Share capital

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

The details of the shareholding as at March 31, 2016 are as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2016</u>	<u>2015</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
				<u>2016</u>	<u>2015</u>

10 Accumulated (losses)

Balance at the beginning of the year	(29,563,576)	(15,817,863)
(Loss) for the year	<u>(7,841,487)</u>	<u>(13,745,713)</u>
Balance at the end of the year	<u>(37,405,063)</u>	<u>(29,563,576)</u>

11 Shareholders' current account

Balance at the beginning of the year	57,734,042	80,773,744
Net movements during the year	-	<u>(23,039,702)</u>
Balance at the end of the year	<u>57,734,042</u>	<u>57,734,042</u>

Breakup of Shareholders' current account:

<u>Name of Shareholders</u>	<u>As at Mar 31, 2015</u>	<u>Net movements</u>	<u>As at March 31, 2016</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Anil Kumar Kejriwal)	47,589,603	-	47,589,603
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	<u>10,144,439</u>	-	<u>10,144,439</u>
	<u>57,734,042</u>	-	<u>57,734,042</u>

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

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	2016	2015
12 Bank borrowings		
a) Due to banks		
Bank overdrafts	27,023,154	26,641,776
Short term loans *	10,000,000	83,258,043
Trust receipts	1,246,151	54,089,888
	<u>38,269,305</u>	<u>163,989,707</u>

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

Bank borrowings are secured by:

- i) Corporate guarantee from M/s. Jindal Saw Limited - India and M/s. Jindal Saw Gulf (L.L.C.), U.A.E.
- ii) Assignment of all risks insurance policy of M/s. Jindal Saw Middle East FZC and M/s. Jindal Saw Gulf (L.L.C.), U.A.E.
- iii) Charge over the inventories and receivables of Jindal Saw Middle East FZC and Jindal Saw Gulf (L.L.C.).
- iv) Assignment of receivables/proceeds.
- v) Commercial mortgage of the Entity and M/s. Jindal Saw Gulf (L.L.C.).
- vi) Negative pledge over 49% equity interest in M/s. Jindal Saw Gulf (L.L.C.) held by the Entity.
- vii) Pledge over 75% equity shares of the Entity held by M/s. Jindal Saw Holdings FZE.
- viii) Subordination of shareholders' current account (note 11).
- ix) Subordination of loan from a related party, M/s. Sathi International FZE (note 14).

b) Term loans		
Balance at the beginning of the year	210,975,340	195,676,229
Addition during the year	6,696,246	28,977,394
Less: Paid during the year	-	(13,678,283)
Balance at the end of the year	<u>217,671,586</u>	<u>210,975,340</u>
Comprising:		
Current portion	43,534,317	-
Non-current portion	174,137,269	210,975,340
	<u>217,671,586</u>	<u>210,975,340</u>

The Entity has obtained a syndicated loan from financial institutions for financing working capital and capital expenditure. The above loan carries interest @ six month EIBOR + 3.25% per annum and is repayable in 10 equal half yearly installments commencing from May 04, 2016.

Bank borrowings - short term liabilities

Due to banks (refer a)	38,269,305	163,989,707
Term loans (refer b)	43,534,317	-
	<u>81,803,622</u>	<u>163,989,707</u>

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	2016	2015
12 Bank borrowings (continued)		
Bank borrowings - long term liabilities		
Term loans (refer b)	174,137,269	210,975,340
13 Accounts and other payables		
Accounts payable for capital goods	10,407,736	14,101,606
Provisions and accruals	3,330,452	4,366,293
	13,738,188	18,467,899
14 Related party transactions		
<p>The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, <i>Related Party Disclosures</i>. 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.</p> <p>The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.</p>		
a) Due from a related party		
<i>Entity under common management and control</i>		
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.	102,540,107	53,166,937
b) Due to related parties		
<i>Ultimate parent</i>		
M/s. Jindal Saw Limited - India	11,303,563	6,920,031
<i>Entities under common management and control</i>		
M/s. Wisdom Holdings Limited, Ras Al Khaimah - U.A.E.	3,670,000	-
M/s. Jindal Saw Italia SPA- Italy	430,991	406,802
	15,404,554	7,326,833
c) Long term loan from a related party		
<i>Shareholder</i>		
M/s. Jindal Saw Holdings FZE, Fujairah - U.A.E.*	88,121,590	-
<p>*The above loan was provided by M/s. Jindal Saw Holdings FZE to meet working capital requirements and carries interest at commercial rates and is without any fixed repayment schedule.</p>		
d) Short term loan from a related party		
<i>Shareholder</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.*	112,015,537	71,645,538

*The above loan carries interest @ 5% p.a. and is subordinated against credit facilities (note 12).

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14 Related party transactions (continued)

e) Transactions with related parties

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

	For the year ended March 31,	
	2016	2015
Sales	49,373,170	53,166,937
Interest paid to related parties (note 20)	5,281,561	7,530,246
Rental income (note 17)	25,000,000	20,000,000
Investment property transferred to a related party - net (note 4)	-	83,406
Purchase of property, plant and equipment (note 4)	1,668,104	551,308
Interest charges recovered from a related party (note 20)	6,819,458	8,996,319

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

	For the year ended March 31,	
	2016	2015
15 Revenue		
Sales : Within U.A.E.	49,373,170	53,166,937
16 Cost of revenue		
Inventories at the beginning of the year	1,147,675	-
Add: Purchases (including direct cost)	47,954,387	53,278,489
Less: Inventories at the end of the year (note 6)	(616,479)	(1,147,675)
	48,485,583	52,130,814
17 Lease rental income - net		
Lease rental income*	25,000,000	20,000,000
Less: Depreciation on property, plant and equipment (note 4)	(18,361,106)	(19,967,355)
	6,638,894	32,645
*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 equipments (note 4).		
18 Other income		
Other income	155,942	82,382
19 Administrative expenses		
Rent	13,500	13,500
Legal and professional expenses	1,091,844	51,209
Repair and maintenance	17,775	234,689
Loss on sale of property, plant and equipment	-	23,127
Foreign exchange loss (net)	129,251	250,810
Other expenses	20,656	-
	1,273,026	573,335

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	For the year ended March 31,	
	2016	2015
20 Finance costs		
Interest on term loans*	9,118,934	10,171,650
Interest paid to related parties - net	2,859,933	2,547,004
Bank and finance charges	2,272,017	1,604,874
	14,250,884	14,323,528

* The above interest on term loans is net of interest expenses amounting to AED 6,819,458 (2015: AED 8,996,319) being interest recovered from M/s. Jindal Saw Gulf (L.L.C.) for the use of working capital 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 the financial statements.

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

	As at March 31,		As at March 31,	
	2016	2015	2016	2015
	Carrying Value		Fair value	
<i>Financial assets</i>				
Other receivables	6,355,330	6,355,330	6,355,330	6,355,330
Due from a related party	102,540,107	53,166,937	102,540,107	53,166,937
Cash and bank balances	6,932,221	749,786	6,932,221	749,786
	115,827,658	60,272,053	115,827,658	60,272,053
<i>Financial liabilities</i>				
Bank borrowings	255,940,891	374,965,047	255,940,891	374,965,047
Accounts and other payables	13,738,188	18,467,899	13,738,188	18,467,899
Due to related parties	15,404,554	7,326,833	15,404,554	7,326,833
Loan from a related party	200,137,127	71,645,538	200,137,127	71,645,538
	485,220,760	472,405,317	485,220,760	472,405,317

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

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

21 Financial instruments (continued)

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 March 31, 2016, the carrying amounts of such receivables, were not materially different from their calculated fair values.

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 U.A.E. Dirhams or currencies to which the Dirhams is fixed are as follows:

	Amounts in Foreign currency		Amounts in AED	
	2016	2015	2016	2015
Euro	97,948	101,620	409,422	401,398

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.

22 Financial risk management objectives (continued)

a) *Foreign currency risk management (continued)*

Foreign currency sensitivity analysis (continued)

	Profit or loss	
	2016	2015
Euro	40,942	40,140

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.

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 1,279,704 (2015: (decrease)/increase by AED 1,874,825).

c) *Liquidity risk management*

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

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

Liquidity and interest risk tables

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

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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
	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, 2016							
Financial assets							
Other receivables	-	-	-	-	6,355,330	-	6,355,330
Due from a related party	-	-	-	102,540,107	-	-	102,540,107
Cash and bank balances	-	-	-	6,932,221	-	-	6,932,221
	-	-	-	109,472,328	6,355,330	-	115,827,658
Financial liabilities							
Bank borrowings	27,023,154	54,780,468	174,137,269	-	-	-	255,940,891
Accounts and other payables	-	-	-	-	13,738,188	-	13,738,188
Due to related parties	-	-	-	-	15,404,554	-	15,404,554
Loans from a related party	-	112,015,537	88,121,590	-	-	-	200,137,127
	27,023,154	166,796,005	174,137,269	-	29,142,742	-	485,220,760
As at March 31, 2015							
Financial assets							
Other receivables	-	-	-	-	6,355,330	-	6,355,330
Due from a related party	-	-	-	-	53,166,937	-	53,166,937
Cash and bank balances	-	-	-	749,786	-	-	749,786
	-	-	-	749,786	59,522,267	-	60,272,053
Financial liabilities							
Bank borrowings	80,731,664	83,258,043	210,975,340	-	-	-	374,965,047
Accounts and other payables	-	-	-	-	18,467,899	-	18,467,899
Due to related parties	-	-	-	-	7,326,833	-	7,326,833
Loans from a related party	-	71,645,538	-	-	-	-	71,645,538
	80,731,664	154,903,581	210,975,340	-	25,794,732	-	472,405,317

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

Notes to the financial statements for the year ended March 31, 2016
(In Arab Emirates Dirhams)

22 Financial risk management objectives (continued)

d) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's credit exposure is continuously monitored and regularly reviewed by the management.

Details of credit risks on other receivables are disclosed in note 7 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.

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

24 Contingent liabilities

<u>As at March 31,</u>	
<u>2016</u>	<u>2015</u>
Letters of credit	31,308,461
Letters of guarantee*	6,235,330
Interest rate swap contract	-

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

25 Capital commitments

Commitments for capital work in progress (note 4)

<u>524,248</u>	<u>425,768</u>
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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 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.