ELECTROSTEEL BAHRAIN HOLDING WLL

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023

Shareholder	:	Electrosteel Castings Limited
Office	:	Building 966 Road 5217, Block 952 Ras Zuwayed, Kingdom of Bahrain Telefax: 77322288
Banker	:	Standard Chartered Bank
Auditors	:	KPMG Fakhro

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REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 March 2023 Bahraini Dinars

We have pleasure in presenting the audited consolidated financial statements of Electrosteel Bahrain Holding WLL (the "Company") and its subsidiary (together the "Group") for the year ended 31 March 2023 as set out on pages 4 to 25.

Financial highlights	2023	2022
Revenue	4,228,229	5,647,078
(Loss) / profit for the year	(68,142)	479,860
Total assets	4,256,734	3,268,035
Total equity	1,454,780	1,522,922

Representations and audit

The Group's activities for the year ended 31 March 2023 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 March 2023, which would in invalidate the consolidated financial statements as set out on pages 4 to 25.

The Group has maintained proper and complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, KPMG Fakhro.

On behalf of the board of directors:

Awadh Shukla

Awadh Prakash Shukla
Director

Shivendra Agarwal.

Shivendra Nath Agarwal
Director

4 May 2023

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Independent auditors' report

To the Shareholder of

Electrosteel Bahrain Holding WLL
Ras Zuwayed, Kingdom of Bahrain

Opinion

We have audited the accompanying consolidated financial statements of Electrosteel Bahrain Holding WLL (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the report of the *board of directors* set out on page 1.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

KPMG

Independent auditors' report (continued)
Electrosteel Bahrain Holding WLL

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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 Regulatory Requirements

As required by the Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the report of the board of directors is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's deed of association that would have had a material adverse effect on the business of the Company or on its consolidated financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Auditor Registration Number 258
8 May 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023 Bahraini Dinars

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,066,871	1,008,495
Total non-current assets		**1,066,871**	1,008,495
Current assets			
Inventories	6	2,166,768	1,445,375
Due from related parties	12 b)	32,444	26,761
Trade and other receivables	7	892,863	631,107
Cash and cash equivalents	8	97,788	156,297
Total current assets		**3,189,863**	2,259,540
Total assets		**4,256,734**	3,268,035
EQUITY AND LIABILITIES			
Equity			
Share capital	1	250,000	250,000
Statutory reserve		125,000	125,000
Retained earnings		1,079,780	1,147,922
Total equity (page 6)		**1,454,780**	1,522,922
Liabilities			
Non-current liabilities			
Provision for employees' leaving indemnities	9	6,927	4,872
Lease liabilities	10	506,499	452,842
Vehicle loan	11	-	1,506
Total non-current liabilities		**513,426**	459,220
Current liabilities			
Lease liabilities	10	69,389	51,196
Vehicle loan	11	1,506	2,778
Due to related party	12 c)	1,973,547	967,075
Trade and other payables	13	244,086	264,844
Total current liabilities		**2,288,528**	1,285,893
Total liabilities		**2,801,954**	1,745,113
Total equity and liabilities		**4,256,734**	3,268,035

The consolidated financial statements were approved by the board of directors on 4 May 2023 and signed on its behalf by:

Awadh Shukla

Awadh Prakash Shukla
Director

Shivendra Agarwal.

Shivendra Nath Agarwal
Director

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 Bahraini Dinars

	Note	2023	2022
REVENUE	14	**4,228,229**	5,647,078
Cost of sales	15	(3,429,418)	(4,342,611)
Gross profit		**798,811**	1,304,467
Other income		10,181	50,617
General and administrative expenses	16	(73,027)	(75,061)
Staff costs	17	(120,292)	(96,826)
Selling and distribution expenses	18	(502,366)	(546,598)
Finance cost	19	(41,804)	(72,123)
Impairment allowance on trade receivables	7	(22,589)	-
Depreciation	5	(117,056)	(84,616)
(Loss) / profit for the year		**(68,142)**	479,860
Other comprehensive income		-	-
Total comprehensive income for the year		**(68,142)**	479,860

Awadh Shukla

Awadh Prakash Shukla
Director

Shivendra Agarwal.

Shivendra Nath Agarwal
Director

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2023 Bahraini Dinars

2023	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**
At 1 April 2022	250,000	125,000	1,147,922	1,522,922
Total comprehensive income for the year (page 5)	-	-	(68,142)	(68,142)
At 31 March 2023	**250,000**	**125,000**	**1,079,780**	**1,454,780**

2022	Share capital	Statutory reserve	Retained earnings	Total
At 1 April 2021	250,000	81,032	712,030	1,043,062
Total comprehensive income for the year (page 5)	-	-	479,860	479,860
Transfer to statutory reserve	-	43,968	(43,968)	-
At 31 March 2022	250,000	125,000	1,147,922	1,522,922

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2023 Bahraini Dinars

	Note	2023	2022
OPERATING ACTIVITIES			
Receipts from customers		3,930,596	5,649,908
Payments to suppliers		(3,160,949)	(4,504,573)
Payments for operating expenses		(702,130)	(767,729)
Other receipts		10,181	50,617
Net cash from operating activities		**77,698**	428,223
INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment	5	(159,268)	(39,774)
Net cash used in investing activities		**(159,268)**	(39,774)
FINANCING ACTIVITIES			
Principal payments of lease liabilities	10	55,686	(48,705)
Finance cost on lease liabilities paid		(26,674)	(26,531)
Finance cost on loans paid		(3,173)	(14,843)
Repayment of vehicle loan	11	(2,778)	(2,531)
Loan availed from a related party		-	164,715
Loan repayments to a related party		-	(672,315)
Net cash from / (used in) financing activities		**23,061**	(600,210)
Net decrease in cash and cash equivalents during the year		**(58,509)**	(211,761)
Cash and cash equivalents at the beginning of the year		156,297	368,058
Cash and cash equivalents at the end of the year	8	**97,788**	156,297

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

1 REPORTING ENTITY

Electrosteel Bahrain Holding SPC (the "Company") was a single person company ("SPC") registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain under commercial registration number 92991-1 on 17 March 2015.

On 28 September 2021, his Majesty the King, issued decree no. 28 of 2022 amending certain provisions of the BCCL (law no 21 of 2001). The amendments are aimed at bringing the Commercial Companies Law (CCL) in line with international best practice. Among the amendments is the merging of SPCs with limited liability companies. Therefore, existing SPCs will be required to convert into a "With Limited Liability" (WLL) company. In accordance with the aforementioned changes to CCL, the legal status of the Company has been changed from being an SPC to WLL, under the name Electrosteel Bahrain Holding WLL.

The consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group" and individually as the "Company").

The Company's authorised, issued and fully paid up share capital of BD 250,000 comprising of 2,500 shares of BD 100 each and is held by Electrosteel Casting Limited, India (the "Parent company").

The Company is engaged in activities of holding companies.

Subsidiary

Electrosteel Bahrain Trading WLL
Electrosteel Bahrain Trading WLL is a limited liability company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain under commercial registration number 95221-1 on 12 October 2015. Electrosteel Bahrain Trading WLL is engaged in import, export and sales of ductile iron pipes, fittings and accessories for water transmission.

The financial statements of Electrosteel Bahrain Holding WLL and Electrosteel Bahrain Trading WLL as at the reporting date are consolidated as per IFRS 10. Under IFRS 10, an entity must consolidate an entity, where in substance it controls the entity. Electrosteel Bahrain Trading WLL became the subsidiary of the Company by way of an agreement dated 1 May 2015.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in conformity with the Commercial Companies Law.

b) Basis of measurement

The consolidated financial statements have been drawn up from the accounting records of the Group maintained under the historical cost convention.

c) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Group's functional and presentation currency. All financial information presented in the consolidated financial statements has been rounded-off to the nearest Bahraini Dinars.

2 *BASIS OF PREPARATION (continued)*

d) Principles of consolidation

(i) Subsidiary
The consolidated financial statements include subsidiaries that are controlled by the Group. Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the Group, or the Group is able to govern the financial and operating policies of subsidiary, or control the removal or appointment of a majority of a subsidiary's board of directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation
Intra-Group balances and transactions, and any recognised gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with subsidiary are eliminated against the investment in subsidiary. Unrealised losses are eliminated in the same way as recognised gains, but only to the extent that there is no evidence of impairment.

e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

f) New standards, amendments and interpretations effective from 1 April 2022

There are no new standards, amendments to the standards, which became effective as of April 2022, that were relevant and had a material impact on the consolidated financial statements.

g) New standards, amendments and interpretations issued, not yet effective but early adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however; the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

The amendments are not expected to have a material impact on the Company's financial statements upon application.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and consistent with those used in the previous year.

a) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of the assets includes the cost of bringing the asset to its present location and condition and the consideration paid for acquiring the assets.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. When parts 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.

When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed from the accounts and any resultant gain or loss of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent measurement
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed in the consolidated statement of profit or loss and other comprehensive income as incurred.

(iii) Depreciation
Depreciation is provided on cost or revalued amounts by the straight-line method at annual rates which are intended to write off the cost or revalued amounts of the assets over their estimated useful lives:

Asset categories	Estimated useful life in years
Right-of-use assets	10
Building	15
Leasehold improvements	15
Plant and machineries	10 - 15
Computer	5
Motor vehicles	5
Electrical equipments	4
Furniture, fittings and tools	3 - 10

The residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(iv) Work in progress
Capital work in progress represents expenditure incurred in construction which includes payments to contractors incurred in connection with the construction of new buildings. These assets will be capitalised and depreciated when they are put into intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension option
Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

c) Inventories

Inventories are carried at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. The cost of inventories is determined on weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

d) Financial instruments

Non-derivative financial instruments

The Group's non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, lease liabilities, vehicle loans, due to related parties and trade and other payables.

(i) Recognition and initial measurement
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities
Liabilities are recognised on an accrual basis for the amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(iii) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment
The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, mainly trade receivables and bank balances.

The Group measures loss allowances on trade receivables at an amount equal to lifetime ECLs ("Simplified approach")

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss allowances on bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12- month ECLs ("General approach")

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade receivables is more than 180 days past due from the invoice date.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

Trade receivables - (Simplified approach)
The Group uses the expected future cash flows based on historical loss rates to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using the discounted cash flow method based on the probability of a receivable being collected over a period of two years or written off.

Discounted cash flows are calculated separately using expected cash flows after adjustment for historical performance. The expected cash flows includes forward looking adjustments. The Group uses the Group's average borrowing rate to discount the expected future cash flows. The model uses probability weighted scenarios when calculating expected credit losses.

Bank balances- (General approach)
Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

The Group assumes that the credit risk on bank balances has been increased significantly if it is more than 30 days past due.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due from the invoicing date;
- the restructuring of a trade receivables by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks.

f) Statutory reserve

The Commercial Companies Law requires 10% of the profit for the year to be transferred to a statutory reserve, which is not normally distributable except in the circumstances stipulated in the Commercial Companies Law. Such transfers may cease once the reserve reaches 50% of share capital.

g) Employee benefits

Short-term employee benefits are recognised in the consolidated statement of profit or loss and other comprehensive income on an accrual basis.

Pensions and other social benefits for *Bahraini employees* are covered by the Social Insurance Organisation's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector - Law no. (36) of 2012, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Revenue

Revenue from sale of products is recognised at a point in time when customer obtains control over goods. Customer obtains control when the goods are delivered and have been accepted by customers at their premises.

j) Foreign currency transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the financial statement date are translated into Bahraini Dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognized in the consolidated statement of profit or loss and other comprehensive income.

k) Interest expenses

Interest expense is recognised as expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred on effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Government grant

Government grant related to operating expense is recognised as other income in the consolidated statement of profit or loss and other comprehensive income in the year in which grant is received.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The areas involving higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements includes:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Useful life and residual value of property, plant and equipment

The Group reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

b) Inputs and assumptions used in the measurement of right-of-use assets and lease liabilities

Refer note 3 (b).

c) Write down of inventories to net realisable value

The Group reviews the carrying amounts of inventories at each reporting date to determine whether the inventories need to be written down to net realisable value. The Group identifies the inventories which have to be written down based on the evaluation of age of the inventory and their estimate of their future consumption. If inventories are assessed for write down, they are charged to the consolidated profit or loss and other comprehensive income.

d) Provision for expected credit losses on trade receivables

Please refer to note 3 (d (v).

5 PROPERTY, PLANT AND EQUIPMENT

	Right-use-of assets	**Building**	**Leasehold improvements**	**Plant and machinery**	**Computer**	**Motor vehicle**	**Electrical equipment**	**Furniture, fittings and tools**	**Work-in-progress**	**2023 Total**
Cost										
At 1 April 2022	630,346	281,462	165,984	160,374	14,067	12,838	1,946	13,003	1,320	1,281,340
Addition	127,536	-	-	9,005	5,418	-	1,710	3,063	28,700	175,432
Transfer		-	30,020	-	-	-	-	-	(30,020)	-
At 31 March 2023	**757,882**	**281,462**	**196,004**	**169,379**	**19,485**	**12,838**	**3,656**	**16,066**	**-**	**1,456,772**
Depreciation										
At 1 April 2022	168,973	4,624	44,477	27,448	13,721	4,316	1,937	7,349	-	272,845
Charge for the year	68,933	18,753	11,147	13,274	536	2,041	157	2,215	-	117,056
At 31 March 2023	**237,906**	**23,377**	**55,624**	**40,722**	**14,257**	**6,357**	**2,094**	**9,564**	**-**	**389,901**
Net book value at the end of the year	**519,976**	**258,085**	**140,380**	**128,657**	**5,228**	**6,481**	**1,562**	**6,502**	**-**	**1,066,871**

	Right-use-of assets	Building	Leasehold improvements	Plant and machinery	Computer	Motor vehicle	Electrical equipment	Furniture, fittings and tools	Work-in-progress	2022 Total
Cost										
At 1 April 2021	630,346	-	106,891	28,245	13,096	10,938	1,946	10,852	439,252	1,241,566
Addition	-	-	-	7,530	971	1,900	-	2,151	27,222	39,774
Transfer	-	281,462	59,093	124,599	-	-	-	-	(465,154)	-
At 31 March 2022	630,346	281,462	165,984	160,374	14,067	12,838	1,946	13,003	1,320	1,281,340
Depreciation										
At 1 April 2021	109,043	-	36,385	21,282	11,703	2,329	1,869	5,618	-	188,229
Charge for the year	59,930	4,624	8,092	6,166	2,018	1,987	68	1,731	-	84,616
At 31 March 2022	168,973	4,624	44,477	27,448	13,721	4,316	1,937	7,349	-	272,845
Net book value at the end of the year	461,373	276,838	121,507	132,926	346	8,522	9	5,654	1,320	1,008,495

Capital work in progress pertains to the construction of office building. The office building has been completed during the current year.

6 INVENTORIES

	2023	2022
Pipes	1,111,286	937,526
Fittings and accessories	279,379	251,745
Consumable materials	22,591	13,414
	1,413,256	1,202,685
Goods in transit	753,512	242,690
	2,166,768	1,445,375

7 TRADE AND OTHER RECEIVABLES

	2023	2022
Trade receivables	760,693	472,891
Less: Impairment allowance on trade receivables	(22,589)	-
	738,104	472,891
Deposit	87,240	87,240
Advances paid to suppliers	36,131	11,287
Value added tax asset - net	30,051	58,374
Prepayments	950	950
Others	387	365
	892,863	631,107

The movement in impairment allowance of trade receivables during the year was as follows:

	2023	2022
Impairment during the year	22,589	-
At 31st March	**22,589**	-

8 CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	933	522
Bank balances	96,855	155,775
Cash and cash equivalents as per the consolidated statement of cash flows	**97,788**	156,297

9 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

	2023	2022
At 1st April	4,872	3,340
Charge for the year (note 17)	2,055	1,532
At 31st March	**6,927**	4,872

10 LEASE LIABILITES

	2023	2022
At 1st April	504,038	552,743
Addition during the year	127,536	-
Payments during the year	(55,686)	(48,705)
At 31st March	**575,888**	504,038

	2023	2022
Current portion of lease liabilities	69,389	51,196
Non-current portion of lease liabilities	506,499	452,842
	575,888	504,038

11 VEHICLE LOAN

	2023	2022
At 1st April	4,284	6,815
Less: payment during the year	(2,778)	(2,531)
At 31st March	**1,506**	4,284

	2023	2022
Current portion of vehicle loan	1,506	2,778
Non-current portion of vehicle loan	-	1,506
	1,506	4,284

12 RELATED PARTIES

The Group enters into transaction with entities that within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business at agreed terms. Related parties comprise the parent, ultimate parent Group, companies under common ownership and shareholders.

a) Significant transactions with related parties	2023	2022
Purchases from related parties	**3,368,060**	4,683,669
Sales to related parties	**84,842**	26,761
Sponsorship fee	**11,400**	11,400
Expenses incurred by the related party on behalf of the Company	**(2,822)**	-
Expenses incurred by the Group on behalf of the related party	-	3,050
Loan repaid to related party, net (including interest)	-	(507,600)

b) Due from related parties	***Relationship***	2023	2022
Electrosteel Castings Limited, UK	*Under common control*	16,374	26,761
Electrosteel Castings Gulf, FZE	*Under common control*	16,070	-
		32,444	26,761

12 RELATED PARTIES (continued)

c) Due to related party	***Relationship***	**2023**	2022
Electrosteel Castings Limited, India	*Parent company*	1,973,547	967,075
		1,973,547	967,075

The above related party balances are interest free and payable on demand.

e) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel are the directors of the Group and the compensation paid to them during the year was BD 21,360 (2022: 20,760).

13 TRADE AND OTHER PAYABLES

	2023	2022
Advances received from customers	160,343	170,174
Trade payables	66,029	73,622
Accrued expenses and other payables	17,714	21,048
	244,086	264,844

14 REVENUE

	2023	2022
Pipes sales	3,699,914	5,148,607
Sales of fittings and accessories	528,315	498,471
	4,228,229	5,647,078

15 COST OF SALES

	2023	2022
Pipes	3,147,056	4,025,586
Fittings and accessories	282,362	317,025
	3,429,418	4,342,611

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Legal and professional fees	17,755	29,237
Rent	11,445	6,300
Repairs and maintenance	9,307	13,187
Travelling expenses	9,103	7,625
Utilities charges	7,722	6,625
Communication charges	1,741	2,197
Others	15,954	9,890
	73,027	75,061

17 STAFF COSTS

	2023	2022
Salaries and related costs	67,966	54,306
Outsource hiring	22,256	15,130
Accommodation	12,101	12,840
Social insurance	4,632	2,909
Leave salary	4,163	3,226
Transportation	3,821	3,786
End of service benefits (note 9)	2,055	1,532
Others	3,298	3,097
	120,292	96,826

18 SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Transportation and border charges	422,481	448,862
Retainers fee	40,000	32,500
Packing materials	28,767	38,680
Others	11,118	26,556
	502,366	546,598

19 FINANCE COST

	2023	2022
Finance cost on lease liabilities	26,674	26,531
Finance cost on loans	3,173	14,843
Bank charges	11,957	30,749
	41,804	72,123

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial assets and financial liabilities are classified under amortised cost.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk, and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, practices and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management practices are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The accounting policies for financial assets and liabilities are described in note 3.

The accounting policies for financial assets and liabilities are described in note 3.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances, trade and other receivables and due from related parties.

(i) The Group limits its exposure to credit risk on bank balances by maintaining balances with banks where the external credit ratings are high. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group has assessed impairment on cash and cash equivalents based on the 12-month expected loss and has concluded that there is no significant impact due to impairment of cash and bank balances.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customers base, including the default risk associated with the industry and country in which customers operate.

The creditworthiness of each customer is evaluated prior to sanctioning of credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

The maximum exposure to credit risk at the reporting date was:

	2023	2022
Trade and other receivables (excluding prepayments and advances paid to the suppliers)	825,731	560,496
Bank balances	96,855	155,775
Due from related parties	32,444	26,761
	955,030	743,032

Trade receivables

Expected credit loss assessment for individual customers

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers.

2023	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
0 to 60 days	548,670	-	No
61 to 90 days	6,636	-	No
91 to 180 days	11,964	-	No
181 to 365 days	27,294	4,130	No
More than 365 days	166,129	18,459	No
	760,693	**22,589**	

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2022	Gross carrying amount	Impairment loss allowance	Credit-impaired
0 to 60 days	243,714	-	No
61 to 90 days	41,015	-	No
91 to 180 days	80,905	-	No
181 to 365 days	78,733	-	No
More than 365 days	28,524	-	No
	472,891	-	

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

2023	**Carrying amount**	**Contractual undiscounted cash flows**	**6 months or less**	**6 - 12 months**	**More than 12 months**
Lease liabilities	575,888	605,169	48,304	49,880	506,985
Vehicle loan	1,506	1,547	1,547	-	-
Due to related party	1,973,547	1,973,547	1,973,547	-	-
Trade and other payables (excluding advances received from customers)	83,743	83,743	83,743	-	-
	2,634,684	**2,664,006**	**2,107,141**	**49,880**	**506,985**

2022	Carrying amount	Contractual undiscounted cash flows	6 months or less	6 - 12 months	More than 12 months
Lease liabilities	504,038	610,492	37,618	37,618	535,256
Vehicle loan	4,284	4,607	1,530	1,530	1,547
Due to related party	967,075	967,075	967,075	-	-
Trade and other payables (excluding advances received from customers)	94,670	94,670	94,670	-	-
	1,570,067	1,676,844	1,100,893	39,148	536,803

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group does not have any significant currency risk with respect to transactions in Saudi Riyal, Qatari Riyal, UAE Dirham and US Dollar as the Bahraini Dinar is effectively pegged to Saudi Riyal, Qatari Riyal, UAE Dirham and US Dollar.

(ii) Interest rate risk
Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Group's exposure to interest rate risk is limited to the loans from a related party and lease liabilities.

Effective interest rates are as follows:	**2023**	2022
Lease liabilities	**5%**	5%
Vehicle loan	**5%**	5%

At the reporting date, the interest rate profiles of the Group's interest bearing financial instruments are as follows:

	2023	2022
Lease liabilities	**575,888**	504,038
Vehicle loan	**1,506**	4,284

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial liabilities at fair value through the statement of profit or loss and other comprehensive income. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income. Increase or decrease in equity resulting from variation in interest rates is not expected to be significant.

(iii) Other market price risk
Other market rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instruments or its issuers, or factors affecting all similar financial instrument traded in the market.

The Group is not exposed to any significant other market risk as at reporting date.

d) Capital Management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits to the other stakeholders. The directors monitor the return on capital.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

e) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Differences can therefore arise between book values under the historical cost method and fair value estimates.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of the Group's financial assets and financial liabilities are not materially different from their carrying values.

21 COMPARATIVES

The previous year's figures have been regrouped wherever necessary in order to confirm to the current year is presentation. Such regrouping did not affect the previously reported consolidated statement of profit or loss and other comprehensive income or consolidated equity.