

To  
Shareholders of ELECTROSTEEL TRADING, S.A.

1. *We have audited the accompanying financial statements comprising of the standalone balance sheet of ELECTROSTEEL TRADING, S.A. as of 31<sup>st</sup> March, 2021, the standalone statement of profit and loss and the statement of changes in equity for the year ended 31<sup>st</sup> March, 2021 and other information forming part of the financial statements.*
2. *Management is responsible for the preparation of these financial statements in accordance with the Generally Accepted Accounting Principles in Spain and the disclosure and presentational requirements of the Group as contained in the Group financial statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that are consistent with the recognition and measurement criteria of the PGC and making accounting estimates that are reasonable in the circumstances.*
3. *We conducted our audit in accordance with auditing guidelines of Spain (NIA-ES). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the reporting package is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the reporting package. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.*
4. *The information provided has been prepared solely to enable the inclusion of the accounts of ELECTROSTEEL TRADING, S.A. in the preparation of financial statements of Electrosteel Castings Limited (“the ultimate parent company”).*
5. *Accompanying this communication are the following:*
  - *Financial statements of Electrosteel trading, S.A., which consists of the standalone balance sheet of ELECTROSTEEL TRADING, S.A. as of 31<sup>st</sup> March, 2021, the standalone statement of profit and loss and the statement of changes in equity for the year ended 31<sup>st</sup> March, 2021.*
  - *A letter of representation from ELECTROSTEEL TRADING, S.A. management.*
6. *In our opinion, the accompanying reporting package has been prepared according to Spanish GAAP.*

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**Abantos Auditores y Asesores, S.L.**

**Calle Santa Engracia, 151. 28003 Madrid.**

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7. *We further report that in our opinion, the financial information reported in the reporting package gives a true & fair view:*
- a. *In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2021.*
  - b. *In the case of the statement of profit and loss, of the profit for the period ended on that date.*
  - c. *In case of the statement of changes in equity, of the changes in equity for the year ended on that date.*
8. *We further state that, subject to our comments in para 5, 6& 7above, there are no matters that, in our judgment, need to be reported to you.*

**ABANTOS AUDITORES Y ASESORES, S.L.**



*José María Carrió Montiel*  
*Partner*  
*04/05/2021*  
*Madrid*

ELECTROSTEEL TRADING, S.A.  
Abreviated balance ended march 31, 2021  
(euros)

ASSETS	2020	2019
<b>A) NON CURRENT ASSETS</b>		
<b>B) CURRENT ASSETS</b>	<b>1.474.899,64</b>	<b>1.083.824,08</b>
<b>Receivables</b>	<b>1.405.996,98</b>	<b>1.045.124,49</b>
Trade receivables	1.383.504,58	868.138,84
Other debtors	22.492,40	176.985,65
<b>Short term financial investments</b>		
Advances and prepayments	3.984,08	3.949,09
Cash at bank and hand	64.918,58	34.750,50
<b>TOTAL ASSETS (A + B)</b>	<b>1.474.899,64</b>	<b>1.083.824,08</b>

SHAREHOLDERS' EQUITY AND LIABILITIES	2020	2019
<b>A) SHAREHOLDERS' EQUITY</b>	<b>140.063,17</b>	<b>133.706,57</b>
<b>Total equity</b>	<b>140.063,17</b>	<b>133.706,57</b>
Paid - up capital	65.000,00	65.000,00
Reserves	6.809,32	5.858,25
Results carried forward	61.897,25	53.337,63
Period's result	6.356,60	9.510,69
<b>B) LONG-TERM LIABILITIES</b>	<b>388.081,62</b>	<b>0,00</b>
<b>Long-term debts</b>	<b>388.081,62</b>	<b>0,00</b>
Bank loans	388.081,62	0,00
<b>C) CURRENT LIABILITIES</b>	<b>946.754,85</b>	<b>950.117,51</b>
<b>Short-term provision</b>	<b>0,00</b>	<b>0,00</b>
<b>Short-term debts</b>	<b>108.726,87</b>	<b>231.323,48</b>
Bank loans	108.726,87	231.323,48
<b>Creditors</b>	<b>838.027,98</b>	<b>718.794,03</b>
Trade creditors	831.875,84	714.260,84
Other creditors	6.152,14	4.533,19
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (A + B + C)</b>	<b>1.474.899,64</b>	<b>1.083.824,08</b>



C.I.F. A-86354305

**ELECTROSTEEL TRADING, S.A.**  
**Abreviated Profit and Loss Account ended march 31, 2021**

	2020	2019
Turnover (sales)	2.184.783,33	2.568.956,85
Cost of sales	-2.092.705,42	-2.514.380,49
Administrative expenses	-71.366,37	-36.345,66
Other results	-1.352,48	-1.732,75
<b>A) OPERATING RESULTS BEFORE FINANCIAL TRANSACTIONS</b>	<b>19.359,06</b>	<b>16.497,95</b>
Financial expenses	-10.432,77	-3.817,03
<b>B) FINANCIAL RESULT</b>	<b>-10.432,77</b>	<b>-3.817,03</b>
<b>C) RESULT BEFORE TAXES</b>	<b>8.926,29</b>	<b>12.680,92</b>
Income tax	-2.569,69	-3.170,23
<b>D) PERIOD RESULT</b>	<b>6.356,60</b>	<b>9.510,69</b>



**ELECTROSTEEL**  
 TRADING  
 C.I.F. A-86354305

**ELECTROSTEEL TRADING, S.A.**  
Statement of changes in equity ended march 31, 2021

	2020	2019
Period's result	6.356,60	9.510,69
<b>TOTAL EARNINGS</b>	<b>6.356,60</b>	<b>9.510,69</b>

	Capital	Reserves	Results carried forward	Period's result	Total
<b>A) FINAL BALANCE YEAR 2018</b>	<b>65.000,00</b>	<b>5.245,60</b>	<b>47.823,82</b>	<b>6.126,46</b>	<b>124.195,88</b>
Total earnings	0,00	0,00	0,00	9.510,69	9.510,69
Other equity movements	0,00	612,65	5.513,81	-6.126,46	0,00
<b>B) FINAL BALANCE YEAR 2019</b>	<b>65.000,00</b>	<b>5.858,25</b>	<b>53.337,63</b>	<b>9.510,69</b>	<b>133.706,57</b>
Total earnings	0,00		0,00	6.356,60	6.356,60
Other equity movements	0,00	951,07	8.559,62	-9.510,69	0,00
<b>C) FINAL BALANCE YEAR 2020</b>	<b>65.000,00</b>	<b>6.809,32</b>	<b>61.897,25</b>	<b>6.356,60</b>	<b>140.063,17</b>
	65.000,00	6.809,32	61.897,25	6.356,60	140.063,17
	0,00	0,00	0,00	0,00	0,00

  
**ELECTROSTEEL TRADING**  
 C.I.F. N° 86354305

ELECTROSTEEL TRADING, SA

MEMORANDUM

CORRESPONDING TO THE FISCAL YEAR ENDING

31 March 2021

**1.- Company activity**

Electrosteel Trading, SA, (hereinafter, the Company) was incorporated on December 13, 2011. It is a company incorporated in Spain in accordance with the Law on capitalised Companies. The Company's corporate purpose, according to its statutes, is:

- The purchase and sale of any products related to the distribution and treatment of water, the collection of both feed and waste water as well as its treatment, in addition to construction and engineering and any related activities, either directly or indirectly, to the aforementioned primary activities.
- The acquisition or procurement of any patents, trademarks and procedures, their assignment and allocation, as well as the collection, concession and contribution of any related patent licenses, either directly or indirectly, to the sanitary technique or system.
- The participation, either directly or indirectly, in any commercial or industrial operations which may be linked to any of the aforementioned corporate purposes, or that are capable of favoring them. This through the creation of new companies or branches, contributions or subscriptions or the purchase of securities or social rights, otherwise through a merger, alliance, joint venture or by any other means.

Its registered office is located on calle Velázquez, number 19, 3rd floor, right, Madrid.

The Company is part of Electrosteel group, whose parent company is Electrosteel Castings, Ltd., having its registered office at GK Tower, 19 Camac Street, Calcutta - 700 017 (India), it being a company that manages the consolidated financial statements. The consolidated annual accounts of Electrosteel group are entered into the Commercial Register of Rathod Colony, PO Rajganpur - 770017 Dist. Sundargarh, Odisha and its drafting is carried out within the established legal term.

**2.- Basis of submission of the annual accounts**

**2.1. Regulatory financial reporting framework applicable to the company**

These financial statements have been drawn up by the Managers according to the regulatory framework for financial reporting applying to the Company, as established in:

- a) Code of Commerce and other commercial laws.
- b) General Accounting Plan approved by 1514/2007 Royal Decree and the amendments incorporated within it by 1159/2010 Royal Decree .
- c) The compulsory rules approved by the Accounting and Auditing Institute, development of the General Chart of Accounts and its supplementary rules.
- d) Any other applicable Spanish accounting regulations.

## **2.2. True and fair view**

The abridged financial statements have been obtained from the company's accounting records and presented in accordance with the applicable regulatory framework on financial information. In particular, the principles and criteria are contained therein, so that they present a true and fair view of the wealth, the financial position and results of the Company incurred during the corresponding financial year. These financial statements, which have been prepared by the Company's board of directors, shall be submitted for approval during the Ordinary Shareholders Meeting and are expected to be approved without any amendments.

## **2.3. Non-compulsory accounting principles applied**

No non-**compulsory** accounting principles have been applied. Additionally, the Board of management of the Company has drawn up these financial statements taking into consideration all of the accounting principles and standards that are enforced and which have a significant effect on said financial statements. There are no outstanding compulsory accounting principles which have to be applied.

## **2.4 Critical aspects on the valuation and estimation of uncertainty**

In preparing the accompanying financial statements, estimates made by Company managers to value some of the assets, liabilities, revenues, expenses and commitments reported herein were used. These estimates refer primarily to:

- The market value of certain financial instruments (Note 5).

## **2.2. Comparison of information**

The information contained in this report referring to the Fiscal Year 2020 is herein presented, for comparison purposes, with the information from the Fiscal Year 2019.

## **2.6 Elements organized into multiple items**

The company does not maintain any patrimonial or equity element collected in several stages.

## **2.7. Changes in accounting criteria**

During the financial year 2020, there have been no significant changes in accounting principles with respect to those applied in 2019.

## **2.8) Correction of errors**

In preparing the accompanying financial statements no significant error was found that would have led to the re-statement of the amounts included in the financial statements for the financial year 2019.

## **3.- Distribution of profit/losses**

The proposed application of the profit/loss for the financial year prepared by the Company's Board Of Management and to be submitted for approval by the Ordinary Shareholders Meeting is as follows:



	2020	2019
Reserves	635,66	951,07
Retained earnings	5.720,94	8.559,62
<b>TOTAL</b>	<b>6.356,60</b>	<b>9.510,69</b>

#### **4.- Accounting and valuation policies**

The main accounting and valuation policies used by the Company in preparing the financial statements for the financial year 2020 in accordance with those set out in the General Chart of Accounts are as follows:

##### **4.1 Financial instruments**

###### **I. Financial assets**

- a) Loans and batches to be receivables: financial assets arising from the sale of goods or from the provision of services in the company's ordinary course of business, or those not being of commercial origin, which are not equity instruments or derivatives and whose collections are set with a fixed or determinable amount and are not traded on an active market.

They will initially be valued at an impartial value, which, unless there is evidence to the contrary, shall be the transaction price. This will be equivalent to the independent value of the consideration given, plus transaction costs that are directly attributable.

Subsequently, they will be valued at their amortized cost.

- b) Treasury and other equivalent liquid assets: the treasury comprises both cash and bank deposits at sight. The other equivalent liquid assets are short-term investments, with maturities prior to three months, and which are not subject to a significant risk of changes in their value.

The Company derecognizes financial assets when the rights over the cash flows of the corresponding financial asset expire or have been transferred and the risks and benefits inherent to its ownership have been substantially transferred. For instance, firm sales of assets, assignments of commercial loans in "factoring" operations in which the company does not retain any credit or interest risk, sales of financial assets with a repurchase agreement at their impartial value or securitizations of financial assets in which the assignor does not retain subordinated financing and neither grants any type of guarantee nor assumes any other type of risk.

In contrast, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in assignments of financial assets in which the risks and benefits inherent to its ownership are substantially retained. For instance, discount of effects, the "factoring with recourse", the sales of financial assets with repurchase agreements at a fixed price or the sale price plus interest and the securitisations of financial assets in which the transferor retains subordinated financing or other types of guarantees that substantially absorb all the expected losses.





## II. Financial liabilities

Financial liabilities are those relating to the Company's debits and payables originated from the purchase of goods and services in the Company's ordinary course of business, or those that not being of commercial origin, cannot be considered financial derivative instruments.

Debits and payables are initially valued at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valued according to their amortized cost.

### **4.2 Income tax**

The cost or revenue by income tax includes the relative part relating to the cost or revenue by the current tax and the corresponding part to the cost or revenue by deferred tax.

The current tax is the amount that the Company fulfills as a consequence of the tax liquidation of Income tax relative to a Fiscal year. Deductions and other tax advantages to the tax rate, excluding withholdings and payments on account, as well as indemnizable tax losses from prior Fiscal years and effectively applied to this, generate an low amount of current tax.

The deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences that are identified as those amounts which are expected such as payables or recoverables derived from differences between amounts in asset and liability books plus its tax value, as well as the negative tax base pending payment and credits in respect of tax deductions fiscally not yet applied. These amounts are registered by applying the temporary difference or credit that corresponds to the type of charge to which the firm expects to recover or liquidate.

Deferred tax liabilities are recognised for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in a transaction that neither affects taxable income nor accounting profit or loss and is not a business combination, those associated to investments in subsidiaries, associated companies and joint ventures in which the company can control the timing of the reversal and it is probable that they will not be reversed in the foreseeable future.

Moreover, deferred tax assets are only recognised to the extent that it is considered likely that the Company will have future taxable profits against which it will be possible to make them effective.

The assets and liabilities plus differed taxes, originating from operations with charges or credits directly in wealth accounts, are accounted also with consideration to net wealth.

At each accounting close, the assets for deferred taxes recorded are reconsidered, and appropriate corrections to them are carried out to the extent that there are doubts about their future recovery. Likewise, at each accounting close, deferred tax assets not recorded on the balance sheet are evaluated and these are subject to recognition insofar as their recovery becomes probable with future tax benefits.



### 4.3 Income and expenses

Income and expenses are allocated based on the accrual criterion, that is, when the actual flow of goods and services represented occurs, regardless of when the monetary or financial flow derived from them occurs. Revenue is valued at the fair valuation of the consideration received, deducted discounts and taxes.

The recognition of sales revenue occurs at the moment in which they have been transferred to the buyer the significant risks and benefits inherent to the property of the sold goods, not maintaining the current management on said goods, nor retaining effective control over them.

With regard to income from the rendering of services, recognition is based on the degree of completion of the service being rendered as per the date of the balance sheet, as long as the result of the transaction can be estimated reliably.

Interest received from financial assets is recognised using the effective interest rate method and while dividends, when the shareholder's right to receive them is established. In any case, interest and dividends of financial assets accrued subsequently at the time of the acquisition are recognized as income in the profit and loss account.

### 4.4 Transactions with related parties

The Company carries out all its transactions with related parties at market value. These are purchases from the related company, Electrosteel Europe, carried out at a discount that ranges from 2% to 4% of the final sale price to the client. Additionally, transfer prices are adequately borne, so that the Company Management Board considers that there are no significant risks in the area for which liabilities of consideration could arise in the future.

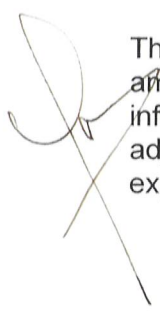
### 4.5. Provisions and contingencies

The Board of Directors of the Company in the formulation of the Annual Accounts differentiate between:

- a) Provisions: creditor balances that cover current obligations arising from past events and whose cancellation is likely to give rise to an outflow of resources, but that are uncertain as to amount and/or time of cancellation.
- b) Contingent liabilities: possible obligations arising from past events and whose future materialization is perhaps conditional on one or more future events independent of the desire of the Company.

The Annual financial statements include all significant provisions with regard to estimates of the probability of having to meet the obligation being greater than otherwise. Contingent liabilities are not recognised in the Annual financial statements, but are disclosed in the notes of the report, in so far as they are not considered remote.

The provisions are measured at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available about the event and its consequences, and registering the adjustments that may arise as a result of the updating of these provisions as a financial expense as it is accrued.



The compensation to be received from a third party when settling the obligation, as long as there is no doubt that said reimbursement shall be received, is registered as an asset, unless there is a legal relationship whereby part of the risk has been externalised, and by virtue of which the Company is not obliged to respond; in this situation, the compensation shall be taken into account in estimating the amount at which the corresponding provision is to be registered.

## **5.-Financial assets**

### **5.1 Short-Term Financial Assets**

Based on the classification established by the PGC in its registration and valuation rules for financial assets, the Company has the following short-term balances at the close of the 2020 and 2019 Fiscal years (in euros):

<b>Categories</b>	<b>Short-Term Financial Assets</b>	
	<b>2020</b>	<b>2019</b>
Trade receivables	1.383.504,58	868.138,84
Cash at bank and hand	64.918,58	34.750,50
<b>TOTAL</b>	<b>1.448.423,16</b>	<b>902.889,34</b>

## **6.- Financial liabilities**

### **6.1 Non current financial liabilities**

Based on the classification established by the PGC in its registration and valuation rules for financial assets, the Company has the following non current balances at the close of the 2020 and 2019 Fiscal years (in euros):

<b>Categories</b>	<b>Non current financial liabilities</b>	
	<b>2020</b>	<b>2019</b>
Bank loans	388.081,62	0,00
<b>TOTAL</b>	<b>388.081,62</b>	<b>0,00</b>

### **6.2 Short-term financial liabilities**

Based on the classification established by the PGC in its registration and valuation rules for financial assets, the Company has the following short-term balances at the close of the 2020 and 2019 Fiscal years (in euros):

<b>Categorias</b>	<b>Short-term financial liabilities</b>	
	<b>2020</b>	<b>2019</b>
Bank loans	108.726,87	231.323,48
Trade creditors	831.875,84	717.109,99
Other creditors	2.849,15	
<b>TOTAL</b>	<b>943.451,86</b>	<b>948.433,47</b>

## **7.- Equity capital**

### **7.1 Social Capital**

At the end of the 2020 Fiscal year, the company's social capital amounted to 65,000 euros, represented by 6,500 shares with a par value of 10 euros each, all of the same class, fully subscribed and paid.

### **7.2 Legal reserve**

According to the Capital Companies Act, the corporation must allocate an amount equal to 10% of its annual profits to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase the capital in the part of its balance that exceeds 10% of the capital already increased. Except for the aforementioned purpose mentioned, and as long as it does not exceed 20% of the share capital, this reserve may only be used to compensate losses and always provided that there are no other sufficient reserves available for this purpose. To 31 March, 2021, the legal reserve had not reached the legally established minimum.

## **8.- Tax position**

### **8.1 Pending tax audit and inspections.**

According to current legislation, taxes cannot be considered definitely settled until the statements submitted have been inspected by the tax authorities or the limitation period of four years has elapsed. At the close of the 2020 Financial year, the Company has the 2016 year open for inspection and subsequent years for all taxes applicable to it. The Board of Directors of the Company considers that the liquidation of the aforementioned tax has been adequately practiced, so that, even in case of discrepancies in the current regulatory interpretation due to the tax treatment granted to the operations, the eventual resulting liabilities, if materialized, would not significantly affect these accompanying annual accounts.

## **9. Income and spendings**

### **9.1 Net amount of the turnover**

The " Net amount of the turnover " heading in the profit and loss account for the 2020 and 2019 financial years presented has the following composition (in euros):

	<b>2020</b>	<b>2019</b>
Sales in Spain	2.107.133,65	1.863.875,00
Sales in UE	77.649,68	705.081,85
<b>Total</b>	<b>2.184.783,33</b>	<b>2.568.956,85</b>

### **9.2 Supplies**

The "Supplies" heading in the profit and loss account for the 2020 and 2019 financial years presented has the following composition (in euros):

	<b>2020</b>	<b>2019</b>
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Purchases	2.092.705,42	2.514.380,49
<b>Total</b>	<b>2.092.705,42</b>	<b>2.514.380,49</b>

### 9.3 Other operating costs

The breakdown of the heading "Other operating expenses" for the years 2020 and 2019 presents the following composition (in euros):

	2020	2019
Services of independents professionals	4.484,82	3.924,61
Insurances	26.335,38	25.852,88
Banking services	5.491,57	3.693,92
Other services	32.180,31	0,00
Other taxes	2.874,29	2.874,25
<b>Total</b>	<b>71.366,37</b>	<b>36.345,66</b>

## 10.- Related-party transactions

### 10.1. Transactions with related parties

The breakdown of transactions made with related parties during the financial year 2020 and 2019 is the following:

	2020	2019
Purchases of current assets and Services received	2.123.340,08	2.514.380,49
<b>Total</b>	<b>2.123.340,08</b>	<b>2.514.380,49</b>

### 10.2. Balances with related parties

The amount of the balances on account with related parties during the year 2020 and 2019 is as follows:

	2020	2019
Trade creditors	831.875,84	714.260,84
<b>Total</b>	<b>831.875,84</b>	<b>714.260,84</b>

### 10.3 Remuneration for the Board of Directors and senior management

During the current year at the Company no amount has been accrued for remuneration in favour of the Board of Directors for any reason, in accordance with the provisions of the Company's bylaws and current legislation.

### 10.4. Information regarding conflicts of interest by the Managers.

At the end of 2020, neither the members of the Board of Directors of Electrosteel Trading, SA nor the persons related thereto, as defined in the Capital Companies Act, have communicated any situation of direct or indirect conflict to the other members of the Board of Directors, that could have arisen with the interest of the Company.

## **11.- Other information**

### **11.1 Information on the environment**

During the year, no expenses have been incurred whose purpose is the protection and improvement of the environment. Likewise, there have been no expenses or risks that have been necessary to cover with provisions for environmental actions, or contingencies related to the protection and improvement of the environment.

### **11.2 Information on rights of greenhouse gases emissions.**

During the year, there has been no movement in any part related to emission rights of greenhouse gases, as well as their allocation.

