

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Electrosteel Europe S.A.

Year ended March 31, 2017

Statutory auditor's report on the financial statements

ERNST & YOUNG Audit



Electrosteel Europe S.A.

Year ended March 31, 2017

Statutory auditor's report on the financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended March 31, 2017, on:

- the audit of the accompanying financial statements of Electrosteel Europe S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as 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.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at March 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you that our assessments were made in relation to the appropriateness of the accounting principles applied, to the reasonable nature of the significant estimates used and to the overall presentation of the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Montpellier, May 2, 2017

The Statutory Auditor
ERNST & YOUNG Audit
French original signed by



Frédérique Doineau

BILAN ACTIF		BALANCE SHEET ASSETS		ACCUM. DEPRECIATION	Net 31/03/17	Net 31/03/16
CAPITAL SOUSCRIT NON APPELE		UNPAID CAPITAL		GROSS		
Immobilitisations incorporelles		INTANGIBLE (NON CORPOREAL) ASSETS				
Frais d'établissement		Preliminary Expenses		11 802	11 802	11 802
Frais de recherche et de développement		research and development expenses				
Concessions, brevets et droits assimilés		franchise, patents and valuable rights		219 374	67 448	79 952
Fonds commercial		goodwill				
Autres immobilisations incorporelles		other Intangible (non corporeal) assets				
Immobilitisations corporelles		TANGIBLE (CORPOREAL) ASSETS				
Terrains		land		2 781 534	2 781 534	2 781 534
Constructions		buildings		2 292 280	2 122 341	2 011 814
Installations techniques, matériel et outillage		machinery		649 918	389 256	342 771
Autres immobilisations corporelles		other tangible (corporeal) assets		937 973	436 353	361 212
Immob. en cours / Avances & acomptes		Capital Work in process assets-advances and deposits		13 724	0	4 545
Immobilitisations financières		INVESTMENTS (FINANCIAL) ASSETS				
Participations et créances rattachées		shares held in other companies				
Autres titres immobilisés		other shares				
Prêts		loans				
Autres immobilisations financières		other investments (financial) assets		2 388 346	238 8346	3 141 915
		FIXED ASSETS		9 294 951	1 084 147	8 210 804
						8 735 544
Stocks		INVENTORIES				
Matières premières et autres approv.		Raw material and others				
En cours de production de biens		Stock in Transit		3 216 906	3 216 906	1 899 174
En cours de production de services		In process services				
Produits intermédiaires et finis		Finished products				
Marchandises		Merchandise		13 616 638	13 616 638	17 819 383
Créances		A/C RECEIVABLES				
Clients et comptes rattachés		Customers		13 794 866	13 112 127	16 604 435
Fournisseurs débiteurs		Suppliers-credit notes and discounts to receive		0	0	0
Personnel		Salaries and Wages-advances		59 576	59 576	61 688
Etat, Impôts sur les bénéfices		Income Tax		0	0	95 797
Etat, Taxes sur le chiffre d'affaires		VAT		231 671	231 671	186 513
Autres créances		Other receivables		3 290 408	3 290 408	2 064 311
		others		3 581 655	3 581 655	2 408 309
Divers		Miscellaneous				
Avances et acomptes versés sur commandes		Advances to Suppliers				
Valeurs mobilières de placement		Shares & Deposit		817	817	1 325 820
Disponibilités		CASH & BANK		1 240 689	0	2 671 156
Charges constatées d'avance		Prepaid expenses		316 665	0	544 090
		CURRENT ASSETS		35 768 234	682 738	43 272 367
Charges à répartir sur plusieurs exercices		Expenses over several financial years				
Prime de remboursement des obligations		premium on bonds refund				
Ecart de conversion - Actif						
COMPTES DE REGULARISATION						
TOTAL ACTIF		TOTAL ASSETS		45 063 186	1 766 886	52 007 911

PASSIF		Net au 31/03/17	Net au 31/03/16
LIABILITIES AND CAPITAL			
Capital social ou individuel	Paid up capital	3 800 000	3 800 000
Primes d'émission, de fusion, d'apport, ...	Premiums on issue of shares, fusion...		
Ecart de réévaluation	Revaluation Reserve		
Réserve légale	legal reserve	147 999	143 389
Réserves statutaires ou contractuelles	statutes and contract reserve		
Réserves réglementées	regulated reserve		
Autres réserves	other reserve	2 743 888	2 656 282
Report à nouveau	retained earnings	0	0
Résultat de l'exercice	net profit of the year	363 780	92 218
Subventions d'investissement	subsidy for investment		
Provisions réglementées	regulated provisions	3 202	6 862
CAPITAUX PROPRES	OWNERS EQUITY	7 058 871	6 698 750
Produits des émissions de titres participatifs	revenue of issue of shares		
Avances conditionnées	regulated advances		
AUTRES FONDS PROPRES	OTHER FUNDS		
Provisions pour risques	provisions for risk	217 524	20 000
Provisions pour charges	provisions for expenses		
PROVISIONS POUR RISQUES ET CHARGES	PROVISIONS FOR RISK AND EXPENSES	217 524	20 000
Emprunts obligataires convertibles	convertible bonds loans		
Autres emprunts obligataires	other bonds loans		
Emprunts	loans		
Découverts et concours bancaires	bank balances overdrafts		
Emprunts et dettes auprès des établissements de crédit	loans and other bank payable	11 905 905	9 283 711
Emprunts et dettes financières diverses	loans and misc financial debts	117 102	117 102
Emprunts et dettes financières diverses - Associés			
Avances et acomptes reçus sur commandes en cours	advances from customers	95 776	230 056
Dettes fournisseurs et comptes rattachés	ACCOUNTS PAYABLE	21 976 264	32 612 492
Personnel	accrued wages		
Organismes sociaux	payroll taxes withheld		
Etat, Impôts sur les bénéfices	income tax		
Etat, Taxes sur le chiffre d'affaires	Income Tax		
Etat, Obligations cautionnées	caution bonds		
Autres dettes fiscales et sociales	others payroll and income tax payable		
Dettes fiscales et sociales	payroll and income tax payable	1 439 342	2 089 971
Dettes sur immobilisations et comptes rattachés	Assets payable	0	0
Autres dettes	other payables	485 516	955 829
Produits constatés d'avance	deferred revenue	0	0
DETTES	LOANS & ADVANCES	36 019 906	45 289 161
Ecart de conversion - Passif			
TOTAL PASSIF	TOTAL LIABILITIES AND CAPITAL	43 296 300	52 007 911

COMPTE DE RESULTAT	PROFIT AND LOSS	01/04/16 TO 31/03/17 12 MONTHS	01/04/15 TO 31/03/16 12 MONTHS	variation	
				value	%
PRODUITS	INCOME				
Ventes de marchandises	sales	50026861	61919492	(11892630)	-19,21%
Production vendue de services	services	911086	1133683	(222597)	-19,63%
Production stockée	production in stock			0	
Subventions d'exploitation	subsidy	0	0	0	
reprise am et prov transferts de charge	transfer of charges	621282	313196	308086	98,37%
Autres produits	other income	35226	2132	33094	1552,25%
Total	total operations income	51594455	63368503	(11774048)	-18,58%
CONSOMMATION M/SES & MAT	SUPPLIES				
Achats de marchandises	Purchases	36069933	52706600	(16636666)	-31,56%
Variation de stock (m/ses)	increase/decrease in stock	2885013	(3081506)	5966520	193,62%
Achats de m.p & aut.approv.	Purchase and other related expenses	125411	227914	(102503)	-44,97%
Variation de stock (m.p.)	increase/decrease in stock of raw material				
Autres achats & charges externes	other purchases and charges	6722681	7857351	(1134671)	-14,44%
Total	total	45803038	57710359	(11907321)	-20,63%
MARGE SUR M/SES & MAT	MARGIN ON GOODS AND RAW MATERIAL	5791417	5658144	133273	2,36%
CHARGES	EXPENSES				
Impôts, taxes et vers. assim.	taxes and charges	113680	88659	25021	28,22%
Salaires et Traitements	Salaries & wages	2934142	3115310	(181168)	-5,82%
Charges sociales	social contributions	992273	1069173	(76901)	-7,19%
Dotations aux am. sur Immobilisations	amortization and provisions fixed assets				
Dotations aux depr. sur Immobilisations	amortization and provisions assets				
Dotations aux depr. sur actif circulant	amortization and provisions current assets				
Dotations aux provisions	amortization and provisions	282120	428490	(146370)	-34,16%
Autres charges	other expenses	279671	72973	206698	283,25%
Total	total	4601886	4774605	(172719)	-3,62%
total operations expenses		50404923	62484964	(12080042)	-19,33%
RESULTAT D'EXPLOITATION	OPERATION PROFIT	1189532	883539	305993	34,63%
Produits financiers	financial income	17004	6264	10741	171,47%
Charges financières	financial expenses	357264	669542	(312277)	-46,64%
Résultat financier	financial profit	(340259)	(663278)	323018	48,70%
Opérations en commun					
RESULTAT COURANT	CURRENT PROFIT BEFORE TAXATION	849273	220261	629011	285,58%
Produits exceptionnels	exceptional income	161532	24199	137333	567,52%
Charges exceptionnelles	exceptional expenses	371898	87483	284415	325,11%
Résultat exceptionnel	exceptional profit	(210365)	(63284)	(147081)	-232,41%
Participation des salariés					
Impôts sur les bénéfices	income tax	275127	64759	210368	324,85%
TOTAL INCOME		51772992	63398966	(11625974)	-18,34%
TOTAL EXPENSES		51409211	63306748	(11897538)	-18,79%
RESULTAT DE L'EXERCICE	PROFIT OF THE FINANCIAL YEAR	363780	92218	271562	294,48%

ACCOUNTING METHODS AND REGULATIONS

The annual accounts of the company have been prepared and presented in accordance with general rules applicable and in complying, the principle of prudence.

The Balance sheet of the year presents a total of **43,296,300** euros.

The Profit & loss statement shows the total income of 51,772,992 euros and total expenses of 51,409,212 euros, thus resulting in a profit of 363,780 euros.

The accounting period commence on 01/04/2016 and ends on 31/03/2017. It has a term of 12 months.

The general accounting principles were applied and as per the hypothesis below:

-Going Concern;

-Similar accounting methods from one financial year to another;

-Independence of the financial years

And in accordance with the general standards of preparation and presentation of the annual statements.

The basic method retained for the evaluation of elements registered in the account is the historical cost method.

The financial statements were established in compliance with the regulations ANC 2014-03 dated 5 June 2014 and ANC 2016-07 dated 4th November 2016.

The accounts incorporate the assets, liabilities and development of the Spanish, Italian and German Branch.

The principal methods used are the following:

ASSETS

Tangible & Intangible assets are evaluated by their original cost (purchase price and additional charges excluding cost of purchase of fixed assets) or at their production cost.

The provision for depreciation is calculated applying the linear or decreasing mode with regard to the normal use of property.

* Building	14 to 33 years
* Machinery and industrial tools	5 to 10 years
* General lay out	8 to 10 years
* Office and computer equipment	3 to 4 years
* Office furniture	10 years

STOCKS

The merchandise and stocks are evaluated at the weighted average price.

The gross value of the merchandise and stocks includes the purchase price and the expenses on purchase.

A provision for depreciation of the stocks, equal to the difference between the gross value and the fair market value or the estimated value of sales after deduction of the proportional expenses on sales, is booked when the said gross value is superior.

RECEIVABLES & PAYABLES

Receivables & payables are evaluated in their nominal value.

Doubtful accounts receivable were written down by a provision to reflect the difficulties in recovery, which may arise in collection.

All the customers receivables are related to sales realized under an ownership retention clause till the complete payment of the price.

Since September 2009, Electrosteel France is factoring the sales invoices. The amount factored as on 31st March 2017 is Euros 4,948,238 (previous year Euros 4,677,441) for business in France and Euros 642,919 (previous year Euros 1,039,524) for business in Italy.

CASH & BANK

The bank balance and cash in hand are evaluated at their nominal value.

REGULATED PROVISIONS

The form 2056 displays the regulated provisions, if any.

INFORMATION RELATED TO THE BRANCH

The turnover of the French establishment is Euros 25,181,004 compared to Euros 21,250,563 for the previous financial year. The profit after taxation is Euros 332,984 compared to profit of Euros 54,023 for the previous financial year.

The turnover of the Spanish branch is Euros 13,451,319 compared to Euros 32,016,334 for the previous financial year. The loss is Euros 164,825 compared to profit of Euros 72,693 for the previous financial year.

The turnover of the Italian branch is Euros 10,896,643 compared to Euros 8,411,141 for the previous financial year. The profit after taxation is Euros 192,082 compared to a profit of Euros 40,555 for the previous financial year.

The turnover of the German branch is Euros 1,408,981 compared to Euros 1,375,137 for the previous financial year. The profit after taxation is Euros 20,849 compared to loss of Euros 74,161 for the previous financial year.

AUDITORS REMUNERATION

The total remuneration of Euros 40,750 has been provided for statutory audit.

PENSIONS COMMITMENTS

The pension commitments are shown as contingent liabilities. The calculation conditions in France are a retirement by the employer with a tax rate of 47%, a slow rotation with a projected salary projection of 2% and a discount rate of 0.76%.

EMPLOYEMENT TAX CREDIT COMPETITIVENESS

The CICE was recorded in “personnel expenses” in accordance with the recommendation of the ANC (Information Note dated 28 February 2013). The CICE obtained since 2015 was used for Investment.

MONITORING OF CARRY BACK OF LOSSES

A debt to the State under the Carry Back of Losses was accounted as on 31st March'2013 for Euro 152,916. This claim will be adjusted against company's current year's tax liability.

Income Receivables

	Amount
Income from Investments	
Other Financial Assets	
Receivables from customers	224300
Other receivables	5237
Bank Balance	
TOTAL	229537

Provision for Expenses

	Amount
Convertible Bonds Loan	
Other Bonds Loan	
Loans & Debts from Banks	10276
Miscellaneous Financial Loans & Debts	
Payable to Suppliers	1524150
Taxes and Social contributions	547494
Other expenses	427664
TOTAL	2509585

Prepaid Expenses

	Expenses	Income
Operational Expenses / Income	316665	
Financial Expenses / Income		
Other Expenses / Income		
TOTAL	316665	

Statement of Profit & Income Tax

	Profit before Tax	Tax	Profit after Tax
Current Profit	849273	339479	509794
Exceptional Profit (Loss)	(210365)	(64352)	(146013)
Net Profit	638907	275127	363780

Details of transfer of charges

	Amounts
Insurance Refund	8329
Daily Allowances	26129
Advantages in Kind	34858
Allownaces Insurance Italy	2512
Allownaces Insurance Germany	2133
TOTAL	73961

Details of Exceptional Profit & Loss

	Expenses	Income
Extraordinary Income - Fines & penalties received		161532
Fines & Penalties	1072	
Penalty for delay- France	58221	
Others Operational Penalties	0	
Penalty - Italy	1880	
Other exceptional charges	72720	
Exceptional Amortisation	40481	
Provision for risk and expenses	197524	
TOTAL	371898	161532

Financial obligations

Payables	Amount
Bills Discounting of unexpired due dates	
Corporate/Bank Guarantee	715192
Lease Guarantee	21382
Retirement Benefit Funds	216283
Other Financial obligations	1910000
TOTAL	2862857
(1) Related to :	
▪ Managing director	
▪ Subsidiaries	
▪ Investments in other Companies	
▪ Sister concerns	
▪ Obligations covered with Security deposit	

Receivables	Amount
Limits of Bank Overdrafts	
Corporate Guarantee Received	10140000
Other Financial obligations receivable :	479350
Goods received under Leasing	
TOTAL	10619350

Composition of Paid Up Capital

	Number	Nominal Value	Amount
Share Capital as on 1st April'2016	380000	10	3800000
Issued during the Financial Year 2016-2017			
Buy back of shares during the Financial Year 2016-17			
Share Capital as on 31st March'2017	380000	10	3800000

Statement of Variation in Equity

	Opening Equity as on 31.03.2016	Appropriation of profit N-1	Contributions for earlier years	Variation during the year	Closing Equity as on 31.03.2017
Social Capital	3800000				3800000
Premiums, Merger, Contribution	0				0
Revaluation difference	0				0
Legal Reserve	143388	4611			147999
Statutory or Contractual Reserve	0				0
Regulatory Reserve	0				0
Other Reserve	2656282	87607			2743888
Last year profit/loss	0				0
Result for the year	92218	-92218		363780	363780
Investment Grant	0				0
Regulated provisions	6862			-3660	3202
Total	6698750	0		360121	7058871

Remuneration of Executives

	31.03.2017
Remuneration of the Members	
- Administrative	764908
- Management	
- Monitoring	

Identification of the consolidating Mother Company

The Mother company holding 100% shares and consolidating is :

ELECTROSTEEL CASTINGS LTD.

19 Camac Street

Calcutta 700017

India

Average staff

	Salaried staff	Staff given to the company
Management	15	
Technicians	14	
Employees	8	
Workers	7	
TOTAL	44	

ASSETS

			Additions during the year	
		Gross value of assets as on 1st April'16	Due to re-evaluation	Purchase
TOTAL I	Formation expenses	11802		
TOTAL II	Oher intangible assets	212059		7315
	Lands	2781534		
	Buildings on owned property	2133670		158611
	Plant and machinery	545714		104203
	Office Equipment	280822		17645
	Vehicle	172417		146463
	Furniture and computers	350739		41347
	Capital Work-in-Progress	4545		13724
TOTAL III		6269441		481994
	Loans & other financial assets	3141915		12339
TOTAL IV		3141915		12339
TOTAL GENERAL I+II+III+IV		9635216		501648

		Deductions during the year		Gross Value of assets as on 31st March'17
		Regrouping	Transfer	
TOTAL I	Formation expenses			11802
TOTAL II	Other intangible assets			219374
	Lands			2781534
	Buildings on owned property			2292280
	Plant and machinery			649918
	Office Equipment		71460	227007
	Vehicle			318880
	Furniture and computers			392086
	Capital Work-In-Progress	4545		13724
TOTAL III		4545	71460	6675430
	Loans & other financial assets		765908	2388346
TOTAL IV			765908	2388346
TOTAL GENERAL I+II+III+IV		4545	837368	9294951

DEPRECIATION

		Accumulated depreciation as on 1st April'16	Additions	Reductions	Accumulated depreciation as on 31st of March'17
TOTAL I	Formation expenses				
TOTAL II	Other intangible assets	132107	19819		151926
	Lands				
	Buildings on owned property	121855	48084		169940
	Plant and machinery	202945	57718		260662
	Office Equipment	124913	37		124951
	Vehicle	77009	99202	71460	104752
	Furniture and computers	240843	31074		271918
TOTAL III		767565	236116	71460	932221
TOTAL GENERAL I+II+III		899672	255935	71460	1084147

PROVISIONS

		Accumulated provisions as on 1st April'16	Additions	Reductions	Accumulated provisions as on 31st of March'17
TOTAL I	Regulated provisions	6862		3660	3202
TOTAL II	Provision for Legal Cases	20000	197524		217524
TOTAL III	Provisions for depreciation/customers receivables	1163393	66666	547321	682738
TOTAL GENERAL I+II+III		1190255	264190	550981	903465

STATEMENT SHOWING AGING OF RECEIVABLES AND PAYABLES

FIXED ASSETS

CURRENTS ASSETS

Receivables	Gross Amount	Less than 1 year	More than 1 year
Bonds			
Loans			
Other financial assets	2388346	2388346	
Debtors under Litigation	79999	79999	
Other receivable debtors	13714867	13714867	
Advance salaries and wages	57158	57158	
Social Contributions	2418	2418	
Income Tax			
VAT	86670	86670	
Other Taxes	145001	145001	
Miscellaneous receivables	5237	5237	
Group Loan	100000	100000	
Miscellaneous receivables (Repurchase)	3185171	3185171	
Prepaid Expenses	316665	316665	
TOTAL	20081531	20081531	0

Payables	Gross Amount	Less than 1 year	More than 1 year less than 5 year	More than 5 years
Convertible bonds				
Other Bonds				
Loans & debts with bank less than 1 year	10392906	10392906		
Loans & debts with bank more than 1 year	1512999	430000	1082999	
Other financial debts				
Payables	21976264	21976264		
Salaries & Wages	333042	333042		
Social contributions	251735	251735		
Income Tax	48366	48366		
VAT	497278	497278		
Bonds with security deposit				
Other taxes	308920	308920		
Suppliers of fixed assets				
Group Loan	117102	117102		
Other payables.	485516	485516		
Prepaid Income				
TOTAL	35924129	34841130	1082999	0

New Loan taken during the year	
Loans - pay back during the year	430000