

To the members of PIPELINE SYSTEMS LTD.

1. We have audited the attached Consolidated Balance Sheet of PIPELINE SYSTEMS LTD and its subsidiary namely PSL FZE as at 31<sup>st</sup> March 2016 , and the Consolidated Profit and Loss Account for the year then ended, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary of PIPELINE SYSTEMS LTD, Mauritius called PSL FZE, Sharjah. These financial statements and other financial information have been audited by other auditor whose report / returns have been furnished to us, and our opinion in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of the other auditor.
4. On the basis of the information and explanation given to us and on the consideration of the separate audit report on individual financial statements and on the other financial information of the components of PSL FZE, we are of the opinion that the attached financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) in the case of the Consolidated Balance Sheet, of the consolidated statement of affairs of PIPELINE SYSTEMS LTD and its subsidiary as at 31<sup>st</sup> March 2016; and
  - b) In the case of Consolidated Profit and Loss Account, of the consolidated results of operations of PIPELINE SYSTEMS LTD and its subsidiary for the year then ended.

For Suresh C. Mathur & Co.  
Chartered Accountants  
FRN No. 000891N

Place: New Delhi  
Date :



*Suresh C. Mathur*  
(SURESH C. MATHUR)  
Partner

Membership No.1276

30/6/2016



## PIPELINE SYSTEMS LTD

### CONSOLIDATED BALANCE SHEET OF PIPELINE SYSTEMS LTD AS AT 31 MARCH 2016

[AMT IN USD]

|  | Schedule | For the Year Ended<br>March 31,2016 | For the Year Ended<br>March 31,2015 |
|--|----------|-------------------------------------|-------------------------------------|
| <b>SOURCES OF FUNDS</b>                            |          |                                     |                                     |
| <b>SHARE HOLDERS FUNDS</b>                         |          |                                     |                                     |
| A) Share Capital                                   | A        | 30,859,731                          | 30,859,731                          |
| B) Reserve & Surplus                               | B        | (37,683,795)                        | (27,215,023)                        |
| <b>LOAN FUNDS</b>                                  |          |                                     |                                     |
| A) Secured Loans                                   | C        | 63,555,960                          | 58,754,133                          |
|  |          | <u>56,731,896</u>                   | <u>62,398,841</u>                   |
| <b>APPLICATION OF FUNDS :</b>                      |          |                                     |                                     |
| A) FIXED ASSETS                                    | D        | 69,410,923                          | 68,516,844                          |
| LESS :DEPRECIATION                                 |          | 34,899,059                          | 29,446,450                          |
|  |          | <u>34,511,864</u>                   | <u>39,070,394</u>                   |
| Add: Capital Work-in-Progress                      |          | 34,511,864                          | 39,070,394                          |
|  |          | <u>22,220,032</u>                   | <u>23,328,447</u>                   |
| <b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>        |          |                                     |                                     |
| A) Inventory                                       | E        | 3,142,065                           | 7,414,526                           |
| B) Sundry Debtors                                  | F        | 10,021,530                          | 11,261,334                          |
| C) Cash & Bank Balances                            | G        | 1,341,012                           | 4,425,736                           |
| D) Loans and Advances                              | H        | 10,764,915                          | 14,559,144                          |
|  |          | <u>25,269,522</u>                   | <u>37,660,740</u>                   |
| <b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b> |          |                                     |                                     |
|  | I        | 3,049,490                           | 14,332,293                          |
|  |          | <u>3,049,490</u>                    | <u>14,332,293</u>                   |
|  |          | 22,220,032                          | 23,328,447                          |
| <b>MISCELLANEOUS EXPENDITURE</b>                   |          |                                     |                                     |
|  |          | <u>56,731,896</u>                   | <u>62,398,841</u>                   |

As per our report attached

for Suresh C.Mathur & Co  
Chartered Accountants  
FRN NO. 000891N

(SURESH C.MATHUR)  
Partner  
M.No. 1276

Place : NEW DELHI  
Date :



FOR AND ON BEHALF OF  
THE BOARD OF DIRECTORS

ASHOK PUNJ  
Director

KESHAV PUNJ  
Director

*Ashok Punj*  
*Keshav Punj*

## PIPELINE SYSTEMS LTD

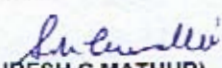
### CONSOLIDATED PROFIT AND LOSS ACCOUNT OF PIPELINE SYSTEMS LTD FOR THE YEAR ENDED 31ST MARCH 2016

[AMT IN USD]

|  | Schedule | For the Year Ended<br>March 31,2016 |            | For the Year Ended<br>March 31,2015 |
|--|----------|-------------------------------------|------------|-------------------------------------|
| <b>INCOME :</b>                                      | <b>J</b> | 15,914,780                          |            | 17,345,514                          |
| <b>EXPENDITURE ::</b>                                |          |                                     |            |                                     |
| Raw Materials & Stores                               | K        | 4,623,438                           | 16,289,335 |                                     |
| Manufacturing & Process Expenses                     |          | 2,925,583                           | 1,984,134  |                                     |
| Employees' Remuneration & Benefits                   | L        | 834,089                             | 1,431,738  |                                     |
| Other Expenses                                       | M        | 5,289,642                           | 4,492,836  |                                     |
| Interest on loan                                     |          | 7,258,210                           | 4,242,018  |                                     |
| Depreciation   |          | 5,452,609                           | 26,383,552 | 33,687,368                          |
| <b>Profit / (Loss ) transferred to Balance Sheet</b> |          | <u>(10,468,772)</u>                 |            | <u>(16,341,854)</u>                 |

As per our report attached

for Suresh C.Mathur & Co  
Chartered Accountants  
FRN NO. 000891N

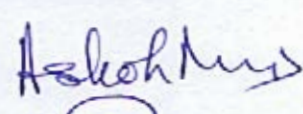
  
(SURESH C.MATHUR)  
Partner  
M.No. 1276

Place : NEW DELHI  
Date :




FOR AND ON BEHALF OF  
THE BOARD OF DIRECTORS

ASHOK PUNJ  
Director



KESHAV PUNJ  
Director





**PIPELINE SYSTEMS LTD**

SCHEDULES FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED ON MARCH 31,2016

[AMT IN USD]

|   | For the Year Ended<br>March 31,2016 | For the Year Ended<br>March 31,2015 |
|---|-------------------------------------|-------------------------------------|
| <b>SCHEDULE "A"</b>   |                                     |                                     |
| <b>SHARE CAPITAL</b>  |                                     |                                     |
| <b>Authorised :</b>   |                                     |                                     |
| Share Capital   | 30,859,731                          | 30,859,731                          |
|   | <u>30,859,731</u>                   | <u>30,859,731</u>                   |
| <br>  |                                     |                                     |
| <b>SCHEDULE "B"</b>   |                                     |                                     |
| <b>RESERVES &amp; SURPLUS</b>   |                                     |                                     |
| As per Last Balance Sheet   | (27,215,023)                        | (10,872,084)                        |
| Profit During the Year  | (10,468,772)                        | (16,341,854)                        |
|   | <u>(37,683,795)</u>                 | <u>(27,213,938)</u>                 |
| Add/ (Less) : Foreign Exchange Fluctuation  | (0.06)                              | (1,085)                             |
|   | <u>(37,683,795)</u>                 | <u>(27,215,023)</u>                 |
| <br>  |                                     |                                     |
| <b>SCHEDULE "C"</b>   |                                     |                                     |
| <b>SECURED LOANS</b>  |                                     |                                     |
| From Banks<br>(Secured against Hypothecation of current assets<br>and second charge on the assets ) | 30,555,960                          | 25,754,133                          |
| Term Loan<br>(Secured against SBLC issued by ICICI Bank-Baharain                                    | 33,000,000                          | 33,000,000                          |
|   | <u>63,555,960</u>                   | <u>58,754,133</u>                   |



PIPELINE SYSTEMS LTD

**SCHEDULES FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED ON MARCH 31, 2016**

**SCHEDULE "D" : FIXED ASSETS**

| PARTICULARS            | Rate   | GROSS BLOCK       |                           | DEPRECIATION      |                   | NET BLOCK        |                   | [AMT IN USD]      |
|------------------------|--------|-------------------|---------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                        |        | As at 1-Apr-15    | Additions During the Year | As 31-Mar-16      | Upto 1-Apr-15     | For the Period   | Upto 31-Mar-16    |                   |
| Furniture & Fixtures   | 18.10% | 32,258            | -                         | 32,258            | 18,283            | 2,536            | 20,819            | 13,975            |
| Office Equipment       | 13.91% | 46,394            | 2,382                     | 48,775            | 24,364            | 3,336            | 27,700            | 22,030            |
| Plant & Machinery      | 13.91% | 63,522,413        | 891,515                   | 64,413,928        | 26,759,525        | 5,209,567        | 31,969,092        | 36,762,888        |
| Computers              | 40.00% | 32,179            | 182                       | 32,361            | 28,641            | 1,450            | 30,091            | 3,538             |
| Motor Cars             | 25.89% | 60,514            | -                         | 60,514            | 58,290            | 1,795            | 60,085            | 2,224             |
| Earthmoving Equipments | 30.00% | 572,672           | -                         | 572,672           | 511,441           | 18,376           | 529,817           | 61,231            |
| Shed Constructions     | 10.00% | 3,957,193         | -                         | 3,957,193         | 1,920,086         | 203,827          | 2,123,913         | 2,037,107         |
| Office Building        | 5.00%  | 189,389           | -                         | 189,389           | 44,030            | 7,268            | 51,298            | 145,359           |
| Vehicles               | 25.89% | 103,833           | -                         | 103,833           | 81,790            | 4,454            | 86,244            | 22,043            |
| <b>TOTALS</b>          |        | <b>68,516,844</b> | <b>894,079</b>            | <b>69,410,923</b> | <b>29,446,450</b> | <b>6,452,609</b> | <b>34,899,059</b> | <b>39,070,395</b> |
| PREVIOUS YEAR FIGURES  |        | <b>62,633,179</b> | <b>5,883,666</b>          | <b>68,516,844</b> | <b>24,179,143</b> | <b>5,267,306</b> | <b>29,446,450</b> | <b>38,454,036</b> |





## PIPELINE SYSTEMS LTD

SCHEDULES FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED ON MARCH 31, 2016

### SCHEDULE "E"

|  |                  |                  |
|--|------------------|------------------|
| Inventory  |                  |                  |
| Raw Material , Consumables , Semi finished goods<br>& Work In progress | 3,026,643        | 5,983,826        |
| Finished goods   | 115,422          | 1,430,700        |
|  | <u>3,142,065</u> | <u>7,414,526</u> |

### SCHEDULE "F"

|                |                   |                   |
|----------------|-------------------|-------------------|
| Sundry Debtors | 10,021,530        | 11,261,334        |
|                | <u>10,021,530</u> | <u>11,261,334</u> |

### SCHEDULE "G"

#### Cash & Bank Balances

|               |                  |                  |
|---------------|------------------|------------------|
| Cash in Hand  | 253              | 1,459            |
| Bank Balances | 1,340,759        | 4,424,277        |
|               | <u>1,341,012</u> | <u>4,425,736</u> |

### SCHEDULE "H"

#### Loans & Advances

|                  |                   |                   |
|------------------|-------------------|-------------------|
| Loans & Advances | 10,635,575        | 14,377,153        |
| Staff Advance    | -                 | 26,923            |
| Deposits         | 129,340           | 155,068           |
|                  | <u>10,764,915</u> | <u>14,559,144</u> |

### SCHEDULE "I"

#### CURRENT LIABILITIES

|                      |                  |                   |
|----------------------|------------------|-------------------|
| Sundry Creditors     | 2,430,999        | 8,571,127         |
| Mobilisation Advance | 70,993           | 4,227,319         |
| Other Liabilities    | 547,498          | 1,533,847         |
|                      | <u>3,049,490</u> | <u>14,332,293</u> |



**PIPELINE SYSTEMS LTD**

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31,2016**

[AMT IN USD]

|  | For the Year Ended<br>March 31,2016 | For the Year Ended<br>March 31,2015 |
|--|-------------------------------------|-------------------------------------|
| <b>SCHEDULE " J "</b>  |                                     |                                     |
| <b>INCOME :</b>  |                                     |                                     |
| Sales & Pipe Coating Receipts                                | 15,900,936                          | 16,310,929                          |
| Other Income   | 13,844                              | 1,034,585                           |
|  | <u>15,914,780</u>                   | <u>17,345,514</u>                   |
| <br><b>SCHEDULE " K "</b>                                    |                                     |                                     |
| <b>Raw Material and Stores</b>                               |                                     |                                     |
| <b>A. Raw Material Consumed</b>                              |                                     |                                     |
| Opening Stock  | 2,772,918                           | 8,484,166                           |
| Add : Purchases during the year                              | 282,258                             | 7,582,722                           |
| Less : Closing Stock   | 2,179,577                           | 2,772,918                           |
| Consumption During the year                                  | <u>875,599</u>                      | <u>13,293,970</u>                   |
| <br><b>B. Consumption of Stores Consumables &amp; Stores</b> |                                     |                                     |
| Opening Stock  | 862,905                             | 1,051,204                           |
| Add : Purchases during the year                              | 68,718                              | 414,176                             |
| Less : Closing Stock   | 847,066                             | 862,905                             |
| Consumption During the year                                  | <u>84,557</u>                       | <u>602,475</u>                      |
|  | 960,156                             | 13,896,446                          |
| <br><b>C. Change in Finised Goods and WIP</b>                |                                     |                                     |
|  | 3,663,282                           | 2,372,889                           |
|  | <u>4,623,438</u>                    | <u>16,269,335</u>                   |
| <br><b>SCHEDULE "L"</b>                                      |                                     |                                     |
| <b>EMPLOYEES' REMUNERATION &amp; BENEFITS</b>                |                                     |                                     |
| Salaries, Wages  | 573,442                             | 1,217,972                           |
| Staff Welfare  | 260,627                             | 213,766                             |
|  | <u>834,069</u>                      | <u>1,431,738</u>                    |
| <br><b>SCHEDULE "M"</b>                                      |                                     |                                     |
| <b>OTHER EXPENSES</b>  |                                     |                                     |
| Auditors Remuneration  | 22,158                              | 11,351                              |
| Bank Charges   | 375,026                             | 328,034                             |
| Commission   | 730,605                             | 2,272,820                           |
| Conveyance Expenses  | 1,951                               | 8,822                               |
| Postage , Telegram and Telephone                             | 944                                 | 1,433                               |
| General Expenses   | 147,590                             | 86,625                              |
| Insurance Expenses   | 5,799                               | 57,326                              |
| Licence - Registration fees                                  | 8,914                               | 21,357                              |
| Motor Vehicle Expenses                                       | 32,778                              | 44,215                              |
| Printing & Stationary Expenses                               | 2,533                               | 6,158                               |
| Professional charges   | 798,233                             | 48,775                              |
| Rent Rates and Taxes   | 2,848,203                           | 1,329,738                           |
| Repairs and Maintenance                                      | 193,922                             | 123,575                             |
| Telephone/Internet Expenses                                  | 17,318                              | 22,691                              |
| Travelling Expenses  | 103,688                             | 129,915                             |
|  | <u>5,289,642</u>                    | <u>4,492,836</u>                    |





**PIPELINE SYSTEMS LTD**

**SCHEDULE "N" - NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED  
ON MARCH 31, 2016**

**1 SIGNIFICANT ACCOUNTING POLICIES**

**a. Method of Accounting**

The company maintain their accounting records on double entry system

**b. Inventories**

The raw materials, stores and spare parts are valued at cost which is arrived on FIFO basis. Cost of inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present condition and location. Cost of raw materials, stores and spares are determined by the average method.

**c. Depreciation**

Depreciation is provided from the date the assets have been installed and put to use on written down value method. Depreciation on additions to assets is calculated pro rata from the month of such addition.

**d. Lease**

i) Land is procured on lease basis from Hamriyah Free Zone Authority and lease rentals are accounted as per the terms and conditions under lease agreement.

ii) Plant & Machinery has been given on lease to PSL FZE, Sharjah (Subsidiary company) Rental income from the subsidiary has been deferred.

**e. Revenue Recognition / Income**

Revenue Income is recognised on accrual basis except where mentioned otherwise, in particular

i) Sales revenue is recognised when it is earned and no significant uncertainty exists at its realisation or collection. Sales are net of sales return and trade discounts. Rebate, claims and discounts are accounted for as and when determined. Deductions made have been reduced from the sales where found necessary.

Revenue from services is recognised on rendering of services.

ii) Gross Sales include freight charged in invoices.

iii) Expenditure are accounted for on accrual basis and provisions are made for all known liabilities.

**f. Treatment of expenditure during construction period**

Expenditure in the case of new units and substantial expansion of existing units during the construction period is included in work in progress and the same is allocated to the respective Fixed Assets on the completion of the construction.

**g. Fixed Assets**

i) Fixed assets are stated at Cost of acquisition and installation. The cost includes freight and related incidental expenses.

ii) The company has erected factory building sheds and installed plant and machinery on lease hold land.

**h. Foreign Currency Transactions**

i) The payment and receipts in foreign currency during the period are accounted at the rates prevailing on the date of transactions.

ii) All loans in foreign currency and outstanding at the close of year are expressed in AED at the appropriate rate of exchange prevailing on the date of Balance sheet.

**i. Sundry Debtors / Loans and Advances**

These have been stated after making adequate provision for doubtful debts/ advances.





j Contingent Liabilities

Contingent Liabilities are disclosed in the notes to accounts. Provisions are made if it became probable that an outflow of future economic benefits will be required for an item previously dealt with it as a contingent liabilities

|                                    | 2015-2016 |           | 2014-2015 |           |
|------------------------------------|-----------|-----------|-----------|-----------|
|                                    | USD       | 8,619,480 | USD MIO   | 8,618,480 |
| Bank guarantees given by the Banks |           |           |           |           |

2 LICENCED AND INSTALLED CAPACITY

|                         | UNIT | LICENCED AND INSTALLED |                |
|-------------------------|------|------------------------|----------------|
|                         |      | 2015-2016              | 2014-2015      |
| Spiral Arc Welded Pipes | MT   | 150000                 | 150000         |
| Coating On Steel Pipes  | Mtrs | NOT APPLICABLE         | NOT APPLICABLE |

3 PRODUCTION ,OPENING AND CLOSING STOCK

| NAME                          | UNIT | PRODUCTION            |                       | OPENING STOCK         |                       | CLOSING STOCK         |                       |
|-------------------------------|------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                               |      | Quantity<br>2015-2016 | Quantity<br>2014-2015 | Quantity<br>2015-2016 | Quantity<br>2014-2015 | Quantity<br>2015-2016 | Quantity<br>2014-2015 |
| 1 HSAW Pipes                  | MT   | -                     | 571                   | -                     | 2,026.39              | -                     | -                     |
| 2 Coating on Steel Pipes/Jobs | Mtrs | Turnkey Jobs          |                       | Turnkey Jobs          |                       | Turnkey Jobs          |                       |

4 SALES TURNOVER & COATING JOBS

|                          | Unit | 2015-2016 |            | 2014-2015 |            |
|--------------------------|------|-----------|------------|-----------|------------|
|                          |      | Quantity  | Value      | Quantity  | Value      |
| 1 HSAW Pipes             | M.T. |           |            | 571       | 2,595,185  |
| 2 Coating on Steel Pipes |      |           | 15,854,222 |           | 13,715,743 |
| 3 Others                 |      |           | 45,714     |           | 445,353    |
| TOTAL                    |      |           | 15,900,936 |           | 18,756,281 |

5 RAW MATERIAL CONSUMPTION

|                          | Unit | 2015-2016 |         | 2014-2015  |            |
|--------------------------|------|-----------|---------|------------|------------|
|                          |      | Quantity  | Value   | Quantity   | Value      |
| 1 H R Coil               | M.T. | 7.15      | 9,258   | 1,022.72   | 801,248    |
| 2 Flux                   | M.T. | -         | -       | 1.18       | 1,840      |
| 3 Filler wire            | M.T. | -         | -       | 2.10       | 3,032      |
| 4 Polypropylene          | M.T. | 175.45    | 320,813 | 595.83     | 1,566,990  |
| 5 PE Powder              | M.T. | 1.25      | 3,338   | -          | -          |
| 6 Coaltar                | M.T. | -         | -       | 3.25       | 1,591      |
| 7 Synthetic Primer       | LTR  | -         | -       | 15.49      | 41,037     |
| 8 Base Copon Hycote      | LTR  | -         | -       | 8,330.00   | 45,898     |
| 9 Activator Copon        | LTR  | -         | -       | 1,056.00   | 2,760      |
| 10 Copon Thinner         | LTR  | -         | -       | -          | -          |
| 11 Cement                | M.T. | 811       | 49,580  | 9,929.00   | 662,885    |
| 12 Wiremesh              | SQM  | 13,918.10 | 27,231  | 674,012.18 | 1,589,850  |
| 13 Ironore               | M.T. | 1,820.50  | 170,126 | 59,796.00  | 5,497,338  |
| 14 Epoxy Powder          | M.T. | 11.42     | 142,948 | 101.14     | 850,184    |
| 15 Polyethylene          | M.T. | 23.00     | 72,163  | 267.15     | 454,155    |
| 16 Adhesive              | M.T. | 19.70     | 63,514  | 61.73      | 161,381    |
| 17 Inter Zone 954 Black  |      | -         | -       | -          | -          |
| 18 Inter Line 925 White  |      | -         | -       | -          | -          |
| 19 International Thinner |      | -         | -       | -          | -          |
| 20 Others                |      |           | 16,629  |            | 1,813,804  |
| TOTAL                    |      |           | 875,598 |            | 13,293,971 |
| 21 Stores & Consumables  |      |           | 84,557  |            | 602,475    |
|                          |      |           | 960,155 |            | 13,896,446 |



**6 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair Value :

Financial assets of the establishment include cash and bank balance , trade and other receivables and financial liabilities include trade other payables and loans from related party.

The management believes that the fair values of the financial assets and liabilities are not significantly different from their carrying amounts at balance sheet date.

Exchange rate risks

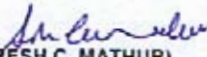
There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirate Dirham or Dollars to which the Dirham is pegged.

7 The previous year figures have been regrouped / rearranged wherever necessary to conform with the current year classification

8 The rate of Conversion 1 USD = 3.685 AED

As per our report attached

for Suresh C. Mathur & co.  
CHARTERED ACCOUNTANTS  
FRN NO. 000891N

  
(SURESH C. MATHUR)  
Partner  
M.No. 1276

Place : NEW DELHI  
Date :



For and on Behalf of  
the board of directors

ASHOK PUNJ  
Director

KESHAV PUNJ  
Director