

Drill Pipe International, LLC

Financial Statements

*For the Year Ending
March 31, 2015*

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Drill Pipe International, LLC

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REPORT OF INDEPENDENT AUDITORS

To the Board of Members
Drill Pipe International, LLC
Baytown, Texas

We have audited the financial statements of Drill Pipe International, LLC, a Minnesota Limited Liability Company (a single member LLC owned by Jindal Saw USA, LLC, a Taxes LLC) which comprise the balance sheets as of March 31, 2015, and related statements of operations, changes in member's capital and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Drill Pipe International, LLC as of March 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Braj Aggarwal, CPA, P.C.

Hicksville, New York
May 6, 2015

Financial Statements

Drill Pipe International, LLC

Balance Sheet

As of March 31, 2015

	<u>2,015</u>
Assets	
Current	
Cash and cash equivalents	\$ 800,673
Accounts receivables:	
Trade receivables	6,419,632
Inventories	21,294,978
Total current assets	<u>28,515,283</u>
Property, Plant & Equipments net of accumulated depreciation	<u>-</u>
Total Assets	<u>28,515,283</u>

See Notes to Financial Statements

Drill Pipe International, LLC

Balance Sheet

As of March 31, 2015

	<u>2,015</u>
Liabilities and Member's Equity	
Current Liabilities	
Account payable - trade	\$ 17,332,167
Provision for taxes	1,120,000
Total Current Liabilities	<u>18,452,167</u>
Long-term debt, net of current portions :	
<u>Total long-term debt</u>	<u>-</u>
Total Liabilities	<u>18,452,167</u>
Member's Equity	
Stated capital	7,464,769
Retained earnings	2,598,347
Total member's equity	<u>10,063,116</u>
Total Liabilities and Member's Equity	<u><u>28,515,283</u></u>

See Notes to Financial Statements

Drill Pipe International, LLC
Statement of Income
for the year ended March 31, 2015

	<u>2,015</u>
Net Sales	\$ 24,317,906
Cost of Sales - Materials, Labor and Other Costs	20,096,319
Gross Profit	<u>4,221,587</u>
Selling, General and Administrative Expenses	
Selling, General and Administrative Expenses	502,973
Depreciation Expense	
Total Selling, General and Administrative Expenses	<u>502,973</u>
Operating Income (Expenses):	<u>3,718,614</u>
Other Income (Expenses):	
Other Income	-
Interest expense	267
Total Other Income (Expenses), net	<u>267</u>
Income before income taxes	<u>3,718,347</u>
Income Taxes	
Current income tax expense	1,120,000
Total Income Taxes	<u>1,120,000</u>
Net Income (loss)	<u><u>2,598,347</u></u>

See Notes to Financial Statements

Drill Pipe International, LLC
Statement of Changes of Member's Equity
for the year ended March 31, 2015

	Member's Stated Capital Account	Additional Capital Contributed	Retained Earnings	Total Member's Equity
Balance at May 31, 2014	\$ 7,464,769	-	-	\$ 7,464,769
Net income	-	-	2,598,347	2,598,347
Balance at March 31, 2015	7,464,769	-	2,598,347	10,063,116

Drill Pipe International, LLC
Statement of Cash Flows
For the year ended March 31, 2015

	<u>2,015</u>
Cash Flows From Operating Activities:	
Net income	\$ 2,598,347
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivables:	
(Increase)/decrease trade receivables	(6,419,632)
(Increase)/decrease inventories	(21,294,978)
Increase/(decrease) account payable - trade	17,332,167
Increase/(Decrease) provision for taxes	1,120,000
Net cash provided (used) by operating activities	<u>(6,664,096)</u>
Cash Flows from Investing Activities:	
Capital expenditures	-
Net cash used in investing activities:	<u>-</u>
Cash Flows from Financing Activities:	
Paid up Capital - Jindal Saw USA LLC	7,464,769
Net cash used in financing activities:	<u>7,464,769</u>
Net Increase/(decrease) in cash and cash equivalents	800,673
Cash and cash equivalents at the beginning of year	-
Cash and cash equivalents at the end of year	<u>800,673</u>
Supplemental Cash Flow Information	
Federal income taxes paid	1,120,000
Interest paid	267

See Notes to Financial Statements

DRILL PIPE INTERNATIONAL, LLC

NOTES TO FIANANCIALS STATEMENTS

Year ended March 31, 2015

1 – Nature of Business

Drill Pipe International, LLC (the "Company") is a single member LLC (a Minnesota limited liability company), and wholly owned subsidiary of Jindal Saw USA, LLC (a Texas limited liability Company). The Company manufactures down hole tools for the water well, construction, mining, environmental, gas, oil and utility construction industries, to customers located throughout the world.

The Company made a net profit of \$2,598,347 during the year ended March 31, 2015, and on that date, had a net positive working capital of \$10,063,116.

2 - Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) used in the United States of America. The following notes describe the significant accounting policies.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the value of mineral reserves. Actual results could differ from those estimates.

Revenues and expenses are incurred during the reported period. Significant estimates include estimated future life in determining current depreciation rates under the depreciation method, estimated amounts for uncollectible accounts receivables and the estimated present value of the Company's note payable to seller. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized generally when the drill pipe has been sold to customer. The revenue is recognized when the following has been satisfied:

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

DRILL PIPE INTERNATIONAL, LLC
NOTES TO FIANANCIALS STATEMENTS

Year ended March 31, 2015

2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposits, sweep account and all highly-liquid debt instruments with original maturities of three months or less.

Allowance for Doubtful Accounts

Bad debts are provided by using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable at the balance sheet date for receivables that may not be fully collectible. Management's evaluation also includes potential non-payment due to product claims by customers. The Company's receivables are mainly receivables from trade receivables. Management believes receivables are fully good and collectibles and no allowance for doubtful accounts was needed to be provided as of March 31, 2015.

Inventories

Inventories consist of raw materials, consumables; small tools used in the operations and are valued at the lower of cost or market using the first in first out cost method. Costs consist of price paid for the inventory plus costs incurred in bringing the products to present locations.

As at March 31, 2015, inventories consisted of the followings

	<u>2015</u>
Raw material	9,070,888.45
Stores and spares	31,331.69
Finished goods	8,556,103.98
Work-in-progress	1,865,342.19
Material-in-transit (RTW Pipe)	1,771,311.22
	<u>21,294,977.53</u>

Property, Plant and Equipment

The company does not own any fixed assets, however it uses fixed asset of Jindal Saw USA, LLC in order to manufacture drill pipes.

DRILL PIPE INTERNATIONAL, LLC

NOTES TO FIANANCIALS STATEMENTS

Year ended March 31, 2015

Federal Income Taxes

For federal income tax purposes, the Company is a disregarded entity and files its return as a member of the consolidated return of Jindal Saw USA, LLC. For financial statement purposes, the taxes that would be attributable to Drill Pipe International, LLC are shown. A balance sheet approach is used to determine deferred taxes whereby deferred income taxes are provided at the balance sheet date, based upon enacted tax laws, for all differences between the tax bases of assets and liabilities and their respective carrying amounts for financial statement purposes.

The Company computes current and deferred federal income tax expense as if it were a separate taxable corporation, utilizing the full benefit of the federal graduated rate structure.

2 – Summary of Significant Accounting Policies (Continued)

Fair Value

Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 825, Financial Instruments, requires the disclosure of the fair value of financial instruments, as defined. Substantially all of the Company’s financial assets and liabilities are either valued at market or estimated fair value, or because of their short-term nature, approximate fair value. None of the company’s assets or liabilities are subject to leveling under fair value hierarchy as required by ASC 820 Fair Value Measurements.

Advertising Costs

Advertising costs are expensed when incurred.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions which may at times be in excess of federally insured levels. The Company has not incurred losses related to these balances to date.

Other than related party revenue, the Company has three customers which represent 16.04%, 10.41% , and 12.26% of the Company’s total revenue. As of March 31, 2015 these three customers had balances representing 18.68%, 0%% and 4.40% of the outstanding trade receivables.

DRILL PIPE INTERNATIONAL, LLC

NOTES TO FIANANCIALS STATEMENTS

Year ended March 31, 2015

3 – Debts:

Company does not have any short term or long term debt as of March 31, 2015

4 – Intercompany, Related Party and Affiliates Disclosure Information (payables)

Intercompany balances relate to loan and other transactions between the Company and its parent company, Jindal Saw USA, LLC and its ultimate parent company, Jindal Saw Limited. The Company purchase its raw material Ready to Well ("RTW") pipes Jindal Saw India and tool joint raw material from Jindal Saw USA, LLC

The following details intercompany transactions during the year ended March 31:

Intercompany transactions with Jindal Saw USA, LLC

Purchases of RTW pipes from Jindal Saw Ltd.	\$5,897,622
Purchases of tool joint from Jindal Saw USA, LLC	2,217,615
Job work processing charges from Jindal Saw USA, LLC	2,337,344
Labor, utilities and other reimbursements	4,873,676

Intercompany Payables

Accounts Payable

Jindal Saw Limited, India	\$10,102,350
Net Payable Jindal Saw USA, LLC	8,163,685

5- Other allocation Expenses

The expenses charged in the Drill Pipe International, LLC as allocation expense were charges by the Jindal Saw USA, LLC for manufacturing the drill pipe as subcontracting jobs. These expenses includes, proportionate depreciation on property, plant and equipment, financial charge of SV Trading investments, other charges and margin of Jindal Saw USA, LLC.

DRILL PIPE INTERNATIONAL, LLC

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2015

6- Business Combination

Effective since May 22, 2014, the Company Jindal Saw US, LLC acquired a 100 percent membership interest in Drill Pipe International, LLC. As a result of acquisition, The Company expects to have a good market exposure in drill pipe industry. The acquisition is as per Net asset basis. As per net asset method, there is no goodwill has been generated in this acquisition.

The considerations include current liabilities which includes, accounts payables and the advances received from the customers at the time of acquisitions.

Following table summarizes the consideration paid for the acquired entity, and the amount of assets and liabilities acquired as of the acquisition dates.

At May 22, 2014

Assets	
Current Assets	
Cash and Cash equivalents	255,536.05
Accounts Receivable	4,903,758.18
Inventory	17,621,909.90
Total Current Assets	22,781,204.13
Fixed Assets	-
Total Assets	22,781,204.13
Liabilities & Equity	
Current Liabilities	
Accounts Payable	13,970,876.25
Advances from customers	1,345,558.79
Total Current Liabilities	15,316,435.04
Long term Liabilities	-
Total Liabilities	15,316,435.04
Total Net worth	7,464,769.09
Purchase consideration for DPI	7,464,769.09
Value Paid for DPI	7,464,769.09
Goodwill/Reserve	-

DRILL PIPE INTERNATIONAL, LLC
NOTES TO FIANANCIALS STATEMENTS

Year ended March 31, 2015

7 – Commitments and Contingencies

The contingent considerations are current liabilities which includes, accounts payables and the advances received from the customers at the time of acquisitions.

8 - Subsequent Events

The Company has evaluated subsequent events through May 6, 2015 the issuance date of the financial statements.