

FINANCIAL STATEMENTS

Drill Pipe International, LLC

Financial Statements

March 31, 2018 and 2017
with report of independent auditor

Rakesh Jain, CPA PC

Certified Public Accountant

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Drill Pipe International, LLC

FINANCIAL STATEMENTS

Years ended March 31, 2018 and 2017

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REPORT OF INDEPENDENT AUDITOR

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

We have audited the financial statements of Drill Pipe International, LLC, a Texas Limited Liability Company (a single member LLC owned by Jindal Saw USA, LLC, a Taxes LLC) and registered as Foreign Limited Liability Company in the state of Texas to transact business), which comprise the balance sheets as of March 31, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Drill Pipe International LLC as of March 31, 2017 were audited by other auditors whose report dated May 26, 2017 expressed clean opinion on those financial statements.

Rakesh Jain, CPA PC

Rakesh Jain, CPA
Rakesh Jain, CPA PC
Certified Public Accountant

Place: - Mont Belvieu, TX

Date: - April 23, 2018

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Financial Statements

Drill Pipe International, LLC
 Balance Sheets
 As of March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current		
Cash and cash equivalents	\$1,637,445	\$530,505
Accounts receivables:		
Trade receivables net of provision for doubtful accounts \$3,244,143 (Previous year - \$3,244,143)	150,711	593,028
Trade receivables intercompany	152,950	519,095
Inventories	9,134,387	12,450,378
Advances and deposits	5,000	724
Total current assets	<u>11,080,493</u>	<u>14,093,730</u>
Total Assets	<u>\$11,080,493</u>	<u>\$14,093,730</u>

See Notes to Financial Statements

Drill Pipe International, LLC
Balance Sheets
As of March 31, 2018 and 2017

	2018	2017
Liabilities and Member's Interest		
Current Liabilities		
Accounts payable- Trade	\$82,197	\$451,604
Accounts payable- Intercompany	7,750,484	6,869,219
Interest payable- Intercompany	5,525	5,525
Loan payable- Intercompany	3,000,000	5,550,000
Advance from Customers	274,336	-
Other current liability	10,326	-
Total Current Liabilities	11,122,868	12,876,348
Long-term debt, net of current portions :		
Long- term debt - related party		
Total long-term debt	-	-
Total Liabilities	11,122,868	12,876,348
Membership Interest		
Membership interest	(42,375)	1,217,382
Total member's interest	(42,375)	1,217,382
Total Liabilities and Member's Interest	\$11,080,493	\$14,093,730

See Notes to Financial Statements

Drill Pipe International, LLC
Statement of Income
for the year ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Sales	\$ 5,121,703	\$ 3,144,301
Cost of sales - materials, labor and other costs	6,159,048	7,307,806
Gross Profit	<u>(1,037,345)</u>	<u>(4,163,505)</u>
Selling, General and Administrative Expenses		
Selling, general and administrative expenses	218,373	358,597
Finance Charges	4,040	891
Total Selling, General and Administrative Expenses	<u>222,412</u>	<u>359,488</u>
Operating Income (Expenses):	<u>(1,259,757)</u>	<u>(4,522,993)</u>
Other Income (Expenses):		
Other Income	-	
Interest expense	-	(37,110)
Total Other Income (Expenses), net	<u>-</u>	<u>(37,110)</u>
Income before income taxes	<u>(1,259,757)</u>	<u>(4,560,103)</u>
Income Taxes		
Income tax benefit/(expense)	-	-
Income tax benefit/(expense) - Prior year adjustment	-	-
Deferred tax benefit/(expense)	-	-
Total Income Taxes	<u>-</u>	<u>-</u>
Net Income (loss)	<u>(\$1,259,757)</u>	<u>(\$4,560,103)</u>

See Notes to Financial Statements

Drill Pipe International, LLC
Statement of Changes of Member's Interest
for the year ended March 31, 2018 and 2017

	Member's Stated Capital Account	Additional Capital Contributed	Retained Earnings	Total Membership Interest
Balance at March 31, 2016	7,464,769	-	(1,687,284)	5,777,485
Profit and loss for the year 2016-17			(4,560,103)	(4,560,103)
Balance at March 31, 2017	7,464,769	-	(6,247,387)	1,217,382
Profit and loss for the year 2017-18			(1,259,757)	(1,259,757)
Balance at March 31, 2018	7,464,769	-	(7,507,144)	(42,375)

See Notes to Financial Statements

Drill Pipe International, LLC
Statement of Cash Flows
For the year ended March 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Net income	\$ (1,259,757)	\$ (4,560,103)
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax expense/(benefit)		
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	442,317	1,062,938
(Increase)/decrease in trade receivables - Intercompany	366,145	-
(Increase)/decrease in inventories	3,315,991	6,251,920
(Increase)/decrease in Advances and deposits	(4,276)	35,001
Increase/(decrease) in account payable - trade	(369,407)	(1,372,624)
Increase/(decrease) in account payable - inter company	881,265	(3,100,001)
Increase/(decrease) in interest payable- inter company	(2,550,000)	(33,313)
Increase/(decrease) in advance from customers	274,336	-
Increase/(decrease) in Other current liability	10,326	-
Increase/(Decrease) provision for taxes	-	(124,575)
Net cash provided (used) by operating activities	1,106,940	(1,840,757)
Cash Flows from Investing Activities:		
Capital work in progress	-	783,615
Net cash used in investing activities:	-	783,615
Cash Flows from Financing Activities:		
Additional equity	-	-
Net cash used in financing activities:	-	-
Net Increase/(decrease) in cash and cash equivalents	1,106,940	(1,057,142)
Cash and cash equivalents at the beginning of year	530,505	1,587,647
Cash and cash equivalents at the end of year	\$1,637,445	\$530,505
Supplemental Cash Flow Information		
Federal income taxes paid	-	-
Interest paid		

See Notes to Financial Statements

Drill Pipe International, LLC
Notes to financial statements
For the years ending March 31, 2018 and 2017

Note 1 – Organization and Operations

Drill Pipe International, LLC (the "Company") is a single member LLC (a Texas limited liability company), and wholly owned subsidiary of Jindal Saw USA, LLC (a Texas limited liability Company and registered as Foreign Limited Liability Company in the state of Texas to transact business). 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 loss of \$ 1,259,757 during the year ended March 31, 2018 and \$ 4,560,103 for March 31, 2017 and on that date, had a negative net worth of \$ 42,375 as on March 31, 2018 and \$ 1,217,383 as on March 31, 2017.

Note 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.

Drill Pipe International, LLC
Notes to financial statements
For the years ending March 31, 2018 and 2017

Note – 2 Summary of significant accounting policies- continued

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 collectible; and
5. The costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

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 nonpayment due to product claims by customers.

Drill Pipe International, LLC
Notes to financial statements
For the years ending March 31, 2018 and 2017

Note – 2 Summary of significant accounting policies- continued

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, 2018 and 2017, inventories consisted of the followings:

Description	2018	2017
Raw material	5,640,677	7,264,946
Stores and spares	212,338	244,494
Finished goods	3,281,372	4,940,938
Total	9,134,387	12,450,378

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.

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. During the year ended March 31, 2017, the company changed its accounting policy for tax calculation, as the result of change the tax calculation will be made on consolidated basis in the books of holding company (Jindal Saw USA, LLC) instead of separate entity basis as it was prepared up to year ended on March 31, 2016.

Drill Pipe International, LLC
Notes to financial statements
For the years ending March 31, 2018 and 2017

Note – 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 five customers which represent 21%, 16%, 13%, 11% and 10% of the Company’s total revenue. In Previous Year, the company had three customers which represent 22%, 16% and 13 % of revenue.

Note -3 - Debts:

Company does not have any short term or long term debt as of March 31, 2018.

Drill Pipe International, LLC
Notes to financial statements
For the years ending March 31, 2018 and 2017

Note 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 purchases its raw material Ready to Well ("RTW") pipes from Jindal Saw India and tool joint raw material from Jindal Saw USA, LLC. The following details intercompany transactions during the year ended March 31, 2018 and March 31, 2017.

Intercompany transactions with Jindal Saw USA, LLC

	As on March 31, 2018	As on March 31, 2017
Purchases of tool joint from Jindal Saw USA, LLC	181,487	99,425
Job work processing charges from Jindal Saw USA, LLC	427,569	115,666
Labor, utilities and other reimbursements	918,692	525,319

Intercompany transactions with Jindal Saw Limited, India

Raw Material Purchase	719,878	-
Job charges and expenses reimbursement	4,985	-

Intercompany transactions with Tube Technologies, Inc. and Helical Anchors, Inc.

Sales to Helical Anchors, Inc.	76,443	-
Sales to Tube Technologies, Inc.	164,573	-
Purchase from Tube Technologies, Inc.	12,659	-

Intercompany Payables:

Jindal Saw USA, LLC Accounts Payable	7,030,605	6,869,218
Jindal Saw Limited – India Accounts Payable	719,878	-
Jindal SAW USA, LLC Loan and Interest Payable	3,005,525	5,555,525

Intercompany Receivables:

Jindal Saw USA, LLC	-	447,791
Jindal saw Ltd. – India	76,288	71,303
Tube Technologies, Inc.	219	-
Helical Anchors, Inc.	76,443	-

Note 5 - Other Allocation Expenses

The expenses charged in Drill Pipe International, LLC as allocation expense represents charges by Jindal Saw USA, LLC for manufacturing drill pipe as subcontracting jobs. These expenses include, 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
For the years ended March 31, 2018 and 2017

Note 6 - Income Taxes:

The Company's deferred tax liabilities and deferred tax assets at March 31, 2018 and 2017 are considered at consolidated level.

Note 7 - Commitments and Contingencies

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

Note 8- Subsequent Events

The Company has evaluated subsequent events through April 23, 2018 the issuance date of the financial statements.